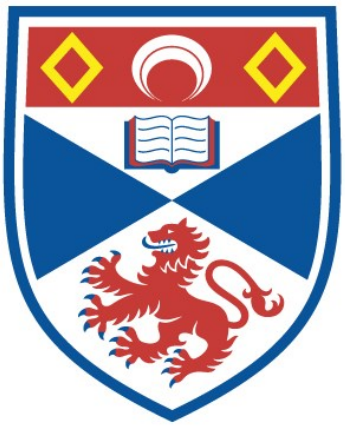
FACTORS INFLUENCING EXPORT PERFORMANCE : THE CASE OF SAUDI ARABIA

Bassam Mohammed Boodai

A Thesis Submitted for the Degree of PhD
at the
University of St Andrews



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BASSAM MOHAMMED BOODAI

A THESIS SUBMITTED FOR THE DEGREE
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DEPARTMENT OF MANAGEMENT
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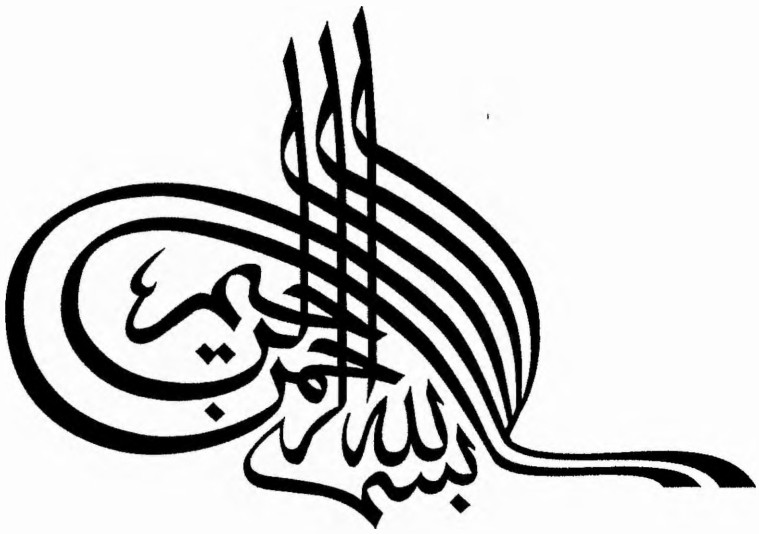

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most gracious, most merciful

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Date: 21st Feb. 2001 Bassam Boodai

ABSTRACT

This research expands the current body of export performance research by examining the factors influencing export performance among private sector exporting firms in a developing country, namely Saudi Arabia. This study identifies the internal and external factors that influence firms' export performance, empirically examines those factors' influence on export performance, and derives guidelines for both managers and government policy makers concerning the best policies and strategies for improving export performance.

Based on the existing literature, a theoretical model for the relationship between export performance and sixty-five independent variables was developed. Three measures of export performance were operationalised: export intensity, export sales growth, and export profitability. The independent variables included both internal and external variables. Internal variables were grouped under firms' differential advantages, export marketing strategy, and management quality. External variables were grouped under local market environment, national environment, and foreign market environment. The analysis and hypothesis testing were carried out for each measure separately. The hypotheses were tested using data collected by means of mail questionnaire from 154 exporting manufacturing firms in Saudi Arabia. Additional data were collected through six in-depth interviews.

The results of the analysis revealed the importance of many internal and external factors in influencing firms' export performance. These results differed across different export performance measures. For example export intensity was explained significantly by export marketing strategy, export sales growth was a function of management quality, and export profitability was explained mainly by firms' differential advantages. Moreover, external variables were found to explain export performance. Export intensity was associated positively with exporting to Asia and export profitability was positively associated with exporting to Arab countries.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of variance
ARAMCO	Arabian American Oil Company
EXPERF	A three-factor export performance scale proposed by Zou et al. (1998)
GCC	Gulf Cooperation Council; it includes Saudi Arabia, Bahrain, Qatar, Kuwait, United Arab Emirates, and Oman.
GDP	Gross Domestic Product
GIA	General Investment Authority
IMF	International Monetary Fund
LSD	Least Significant Difference
OIC	Organisation of the Islamic Conference
OPEC	Organisation of Petroleum Exporting Countries
SABIC	Saudi Arabian Basic Industries Company
SCH	Saudi Consulting House
SEC	Supreme Economic Council
SEDC	Saudi Export Development Centre
SIDF	Saudi Industrial Development Fund
SR	Saudi Riyal
WTO	World Trade Organisation

CHAPTER ONE
INTRODUCTION

1.1. Objectives of the Study

The aim of the present study is to relate, in a systematic way, specific internal and external variables to different levels of firms' export performance. It examines the variables leading to export success from the context of a developing country. Based on an extensive literature review, a theoretical framework is developed, and a set of hypotheses are drawn. Export performance was measured by three different ways; export intensity, export sales growth, and export profitability. The study's hypotheses, relating internal and external factors to export performance, are empirically tested on a cross-industry sample of Saudi Arabian private industrial firms exporting manufactured goods. All data analysis and findings of this study are based on the survey conducted by the researcher. The survey is based on executive managers' responses and perceptions.

The study focuses on three main objectives. First, identifying the internal and external factors that influence a firm's export performance. Second, empirically testing those factors' influence on a firm's export performance. The study also identifies the factors which are critical in achieving higher export performance. Third, the results from the empirical analysis are used to derive guidelines for both managers and government policy makers concerning the best policies and strategies for improving firms' export performance.

1.2. Importance of the Study

The significance of the present study stems from the importance of exports to the development of nations and the need for managers and policy makers to base their export development decisions on sound research. The study also fills the gap in export literature on developing countries and provides a broad base of findings that can be added to the few studies conducted in Saudi Arabia which constitute the base of Saudi export literature.

While a large body of literature on export performance has been developed in the last three decades, most of the studies were carried out on developed nations, especially North American and European countries (Crick, Al Obaidi, Chaudhry, 1998; Ford and Leonidou, 1991). Ford and Leonidou argue that factors influencing export expansion in developing countries differ significantly from those found in industrialised economies.

From a theoretical point of view, this study aims to improve our understanding of the factors influencing firms' export performance on a wide perspective, in terms of variables covered and export performance measures utilised. It covers new variables that are previously were not covered in the export performance literature.

One of the major contributions of the study is that it assesses export performance with three different measures, as there is no single widely accepted measure, to a set of key independent variables identified in the literature. The three measures are then compared and related to the objectives and strategies of the exporting firm. This will provide a better

understanding of the export performance depending what objectives and strategies of the firm are.

The study adds interesting findings regarding export profitability, an export performance measure that is rarely covered in the literature of export performance. The study also contributes to the export literature on developing countries as many scholars have suggested in order to reach a more generalisable understanding of export performance. Finally, it will also provide a starting base for future research on other similar developing countries.

From a national perspective, Saudi Arabia has witnessed remarkable economic and industrial development in the last 30 years. However, the Saudi economy continues to heavily depend on oil exports. The government, through five-year development plans, has declared its objectives of diversifying the economy and minimising the reliance on oil exports. Unfortunately, oil continues to be a main player in the Saudi Arabian economy and dominates its exports. In 1999, oil exports represented 88.5% of total exports, and two-thirds of the SR[1] 20 billion non-oil exports was accounted for by Saudi Arabian Basic Industries Company (SABIC), a semi-government company that manufactures petrochemical products. The Saudi private sector has to play an important role in helping government to achieve its objectives of lessening the reliance of the national economy on oil exports. The government also has to develop its policy based on sound research findings to achieve its ambitious objectives.

[1] SR = Saudi Riyal, US $ = SR 3.75

According to Porter (1990), "[n]ational prosperity is created not inherited. It does not grow out of a country's natural endowments ... as classical economics insists. A nation's competitiveness depends on the capacity of its industry to innovate and upgrade" (p. 73). Thus, it is critical for Saudi Arabia to diversify the economy and reduce the dependence on oil exports as a main player in economic activity and development. The development of private sector exports in Saudi Arabia requires aggregate efforts and strategies from both government and firms. This study provides important findings for both firms and national policy makers. For example, it provides the firms' management with a better understanding of important factors influencing their export performance. This can help management evaluate their current practices and guide them to plan, organise, and lead their firms to succeed in export ventures. In addition, it provides significant findings for national policy makers to understand the export performance of Saudi Arabian firms and what factors influence them. This may help policy makers establish and develop more effective trade policies and export promotion programmes.

1.3. Export Performance

To review the relevant export performance literature is a complex task given its multidimensional and dynamic nature (Leonidou and Katsikeas, 1996). The interest in firms' export performance began in the early 1960s and since then a substantial literature has accumulated on the subject. There were serious efforts to consolidate and integrate empirical

export research into a consistent conceptual structure. However, no comprehensive or widely accepted theory has yet emerged that integrates the literature findings and explains firms' export performance (Leonidou and Katsikeas, 1996). Likewise, there is no consensus on either a definition or a measure of export performance.

Ross (1982) defines export performance as how good a firm performs in the export market compared to other firms. Whereas Cavusgil and Zou (1994) define export performance as the degree to which a firm achieves its economic and strategic objectives with respect to exporting a product into a foreign market. Researchers used both objective and subjective measures for export performance. Objective measures use actual data whereas subjective measures use managers' perceptions and evaluation of export performance. The most widely used performance measures are export intensity, export sales growth, and export profitability. Some researchers have used multidimensional measures, combining two or more export performance measures.

Previous research in export performance revealed a large number of factors that associate with export performance. These factors are classified under six categories: firms' differential advantages, export marketing strategy, management quality, local market environment, national environment, and foreign market environment. The former three categories are identified as internal or firm level factors whereas the latter three categories are identified as external or environmental factors.

This study covers internal and external factors influencing export performance. Sixty-five factors were included as independent variables; forty-five internal factors and twenty external factors. On the other side, three measures of export performance measures were utilised as dependent variables: export intensity, export sales growth, and export profitability. Export intensity was measured objectively as the percentage of export sales to total sales, whereas export sales growth and export profitability were measured subjectively. Managers were asked to evaluate their firm's export performance on a five-point Likert scale ranging from far above expectations to far below expectations. The relations between independent factors and each of the three performance measures were tested separately.

1.4. Organisation of the Thesis

The thesis is organised into seven chapters. This section provides an overview of the content of each individual chapter. Chapter 2 provides a general overview of Saudi Arabian history, policy, and economic environment. In particular it focuses on the Saudi Arabian industrial sector. This chapter also examines the history of industrial development, industrial policy, organisations related to industrial development, and export statistics of the industrial sector. The objective of this chapter is to emphasise the necessity for Saudi Arabia to develop its manufactured exports and to provide a background of the environment in which the empirical work of this study has taken place.

Chapter 3 outlines the theoretical and empirical literature related to the firm's export performance. It presents an extensive review of export literature related to factors influencing firms' export performance. The performance measures used in export performance literature and how they are operationalised is also examined. This chapter represents the bases on which the theoretical framework of this study is established.

Based on the literature review, Chapter 4 presents the theoretical framework and research hypotheses of this study. It also describes the research design and the development of the questionnaire through which the data were collected for testing the research hypotheses.

Chapter 5 discusses the analysis and testing of the data used in the present study. It includes a description of sample characteristics, data representation, and response rate and presents the statistical analysis of data. It describes the results of statistical tests used to test the research hypotheses. Moreover, it presents the multiple regression analysis conducted to create a model for each export performance measure. Finally, it details the qualitative work based on six in-depth interviews with managers from six different exporting firms.

Chapter 6 discusses the findings of the study and elaborates on results found in Chapter 5. It presents and describes factors found in this study to influence firms' export performance and compares the findings of this study with previous research findings in this area.

Chapter 7 summarises the study's main findings. It examines the theoretical, managerial, and policy implications of the study and provides recommendations for both managers and policy makers. It also discusses the limitations of the study and suggests the possible direction of further research.

CHAPTER TWO

SAUDI ARABIAN ECONOMIC AND INDUSTRIAL ENVIRONMENT

2.1. Introduction

The main objective of the present study is to explore factors influencing Saudi Arabian exporters' performance. Consequently, it is important to highlight the need for Saudi Arabia to develop its manufactured exports, and to understand the environment within which the study has taken place. This chapter presents a review of the economic and industrial development in Saudi Arabia. Section 2.2 covers the demography and geography of the country, while Section 2.3 briefly describes the political and legal environment. Section 2.4 presents a broad overview of the Saudi Arabian economy and its planning system. This section includes a short history of oil discovery and development. The comprehensive planning scheme introduced by the government to achieve economic and industrial development based on five-year intervals is also discussed. Economic indicators and statistics related to Gross Domestic Product, government budget, balance of payment, and foreign trade comprise the last part of this section.

Industrial development and export related activities are examined in Section 2.5. The section begins with an historical overview of industrial development. Then it outlines the industrial policy and exports related policies. This is followed by a brief description of organisations involved in industrial and export development. Finally, it discusses industrial development indicators such as the number of manufacturing firms and non-oil exports.

2.2. Demography and Geography

Saudi Arabia lies at the furthermost part of south-western Asia adjacent to Africa. It covers an area of about 2,250,000 square kilometres. It is approximately equal to the size of Western Europe or one third the size of the United States of America (Rashid & Shaheen, 1995). It is bounded in the east by the Arabian Gulf, Bahrain, Qatar, and United Arab Emirates; in the south by Yemen and Oman; in the west by the Red Sea; and in the north by Kuwait, Iraq, and Jordan. Geographically, Saudi Arabia can be divided into five regions: Central, Eastern, Western, Northern, and Southern region. Most of the industrial firms are located within the first three regions. The Central region contains the capital Riyadh and most government organisations. The Western region contains the most important cities for Muslims all over the world, Makkah and Madinah. Oil reserves and oil related industries are located in the Eastern region. The climate of Saudi Arabia varies from one region to the other because of different topographical features. Generally speaking Saudi Arabia has a very hot summer and a cold and rainy winter. Dry hot summers and cold winters are seen in the interior regions, high temperatures and humidity in the coastal areas, and a moderate climate in the south-western region.

The last general consensus was conducted in 1992. It showed that the country's population was 16.9 million with about 27% non-nationals. With a growth rate of 3.3 %, it is estimated to have been 22 million[1] in 2000 (World Factbook 2000). Males represent 55% of the total population compared to 45% females. It is estimated that 43% of the population are less than 15 years old. This reflects the youth of the Saudi Arabian

[1] 5.4 million are non-nationals

population and the high growth rate that constitutes a great responsibility for the government to develop the economy and create jobs for the new generations.

Formal primary education in Saudi Arabia was initiated by King Abdul Aziz in 1930s. This was followed by extensive programmes to establish schools in Saudi Arabia. In 1954, the Ministry of Education was founded and in 1957 the first university was established. Nowadays, there are eight universities, 94 colleges and more than 22,000 schools. The number of students enrolled in schools increased from 540,000 in 1970 to 4.5 million in 1997. During the same period, the number of higher education students increased from 7,000 to 272,000.

Saudi Arabia is the largest oil exporter in the world, and possesses the largest oil reserves. Oil was discovered in Saudi Arabia in 1938. This major discovery was followed by extensive exploration. The latest estimate indicates Saudi Arabia's oil reserves to be 261.5 billion barrels, representing more than a quarter of world reserves. Most of Saudi Arabia's known oil reserves are located in the Eastern Region, including the largest onshore field (Ghawar field).

In addition, Saudi Arabia owns huge reserves of natural gas. Its gas reserves were estimated in 1998 to be 5.8 trillion cubic meters. In the early years, gas was produced as part of the oil production process and it was discharged by burning. Nowadays, most of the gas is being used effectively in industry and for power generation; it also represents the basic feedstock for the basic industries in Saudi Arabia. Saudi Arabia has other natural resources. It has gold, silver, and other base metal deposits such as bauxite,

copper, iron, lead, tin, and zinc. It also has deposits of non-metallic minerals such as bentonite, diatomite, fluorite, potash, and high-purity silica sand.

2.3. Political-Legal Environment

Islam is by far the most influential element in Saudi Arabian culture. The history of the Arabian Peninsula goes back to the year 611 when the Prophet Mohammed received the first verse of the Quran from God (Council of Saudi Chambers, 1997). The Arabian Peninsula was the centre of the Islamic world that has expanded thereafter to reach the Far East, Africa, and Southern Europe. Even the new state of Saudi Arabia was based on an alliance between Mohammed bin Saud and Sheikh Mohammed bin Abdul Wahab, an eminent religious leader (Al-Farsy,1986). Islam directs Saudi Arabians both male and female in their daily lives and governs their morals, customs, dealings, and social relations.

Saudi Arabia is a monarchy. Sharia, the Islamic code of law based on the Holy Quran and the Sunnah (the teaching and sayings of Prophet Mohammed), is the foundation of the legal system of Saudi Arabia. The Holy Quran itself is considered the constitution of the country. The King and the Council of Ministers, within the framework of Islamic law, exercise both executive and legislative authorities. The ministries and all other government bodies are ultimately responsible to the King.

The Council of Ministers was established in 1953 and meets weekly. It is presided over by the King or his deputy. Currently, it consists of 28 ministers, 22 are heads of ministries and eight are ministers of state. Saudi Arabia is divided into 14 administrative regions. Each is headed by a regional governor with the rank of minister who is responsible to the Interior Minister.

In 1992, a Consultative Council (Shura Council) was established to advise the King and Council of Ministers on matters pertaining to government programmes and policies. Its main function is to assess and modify Saudi Arabia's systems and laws, contracts, and agreements. Initially, it consisted of 60 members who were selected by the King for four years. Later the number was increased to 90 members.

Saudi Arabia is a member of the United Nations, the Organisation of the Islamic Conference (OIC), the League of Arab States, the Gulf Cooperation Council (GCC), and the Organisation of Petroleum Exporting Countries (OPEC). It is also a member of the International Monetary Fund (IMF), World Bank, and is negotiating to join the World Trade Organisation (WTO). (Saudi Arabian Information Centre, 1996)

2.4. Economic Outlook

In the last two years there have been important changes in government economic policy and organisations. In 1999, a royal decree was issued announcing the formation of the Supreme Economic Council (SEC). The eleven-member council was to be chaired by the Crown Prince. The formation of the SEC had been prompted by the crucial role played by economic affairs and their direct influence on the interests of citizens, and the need to invite a wide circle of contributions in economy policy-making.

One of the first accomplishments of the SEC was the approval of a new Foreign Investment Law in April 1999, a law that aims to attract foreign investors and provide them with an appropriate and promising investment environment. At the same time, another decision was taken to establish the General Investment Authority (GIA). GIA is to be responsible for preparing policies to enhance local and foreign investment, monitor investment performance, promote investment opportunities, and co-ordinate investment related policies with other government agencies (Al-Musalam, 2000).

Another important act was the formation of the Supreme Council of Petroleum and Mineral Affairs in January 2000. The council's main role is to command oil related policies and regulate foreign investment in the oil industry. It also studies and approves potential foreign investment in the field of oil and gas development.

2.4.1. History of Oil in Saudi Arabia

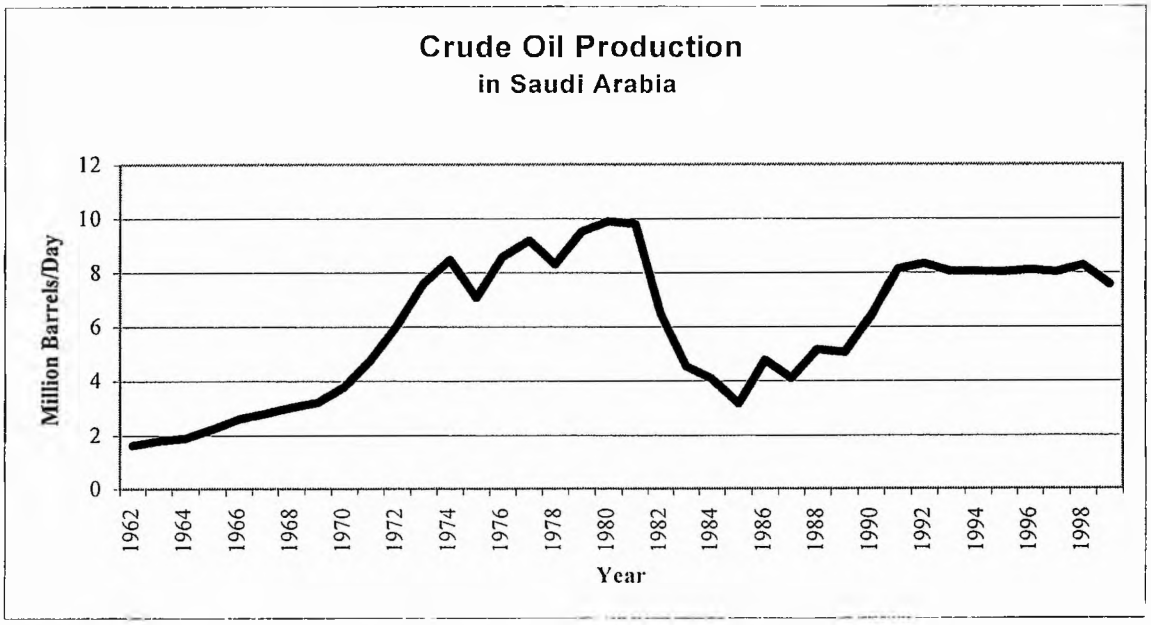
Any history of Saudi Arabia development is not complete without the history of oil discovery in the country. After more than 50 years, oil remains the most important economic sector. Oil was discovered in 1938, by the Standard Oil Company of California. In 1944, the oil company was renamed the Arabian American Oil Company (ARAMCO), and in 1980, the government assumed full ownership of ARAMCO and renamed it Saudi Aramco (Saudi Arabian Information Centre, 1996).

In 1949, ARAMCO was producing 500,000 barrels per day. Over the years, oil production has increased and reached 8.2 million barrels per day in 1974. Oil production peaked between 1979 and 1981 with about 9 million barrels per day and then started declining to a record low of 3.2 million barrels per day in 1985. After that, oil production fluctuated with a slow growth. However in 1990, when Iraq invaded Kuwait leading to the second Gulf war, nearly 4.6 million barrels per day of oil production vanished from world markets and Saudi Arabia had to boost its output from 5.3 million barrels per day to 8.5 million barrels to stabilise the market (Rashid & Shaheen, 1995). After that, the same level of production continued. Figure 2-1 shows oil production during the period 1962-1998. Continuous exploration and major discoveries raised oil reserves to 261.5 billion barrels in 1998, representing more than a quarter of world reserves.

Saudi Arabia is the largest exporter of petroleum, and plays a leading role in OPEC. Its policy calls for a stable oil market and reasonable oil prices. During the second Gulf war, Saudi Arabia increased its production by 62% to help stabilise the market and curb the rocketing oil prices (Rashid & Shaheen, 1995). On the other hand,

when oil prices surged below $10 per barrel, Saudi Arabia was a key player in the successful efforts of OPEC and other oil producing countries to raise the price of oil in 1999 to its highest level since the Gulf war by reducing production.

Figure 2-1 Crude Oil Production in Saudi Arabia (1962-1999)



Source: Saudi Arabian Monetary Agency, 2000

2.4.2. Development Plans

Although the economy of Saudi Arabia has witnessed a vast improvement, achieving major economic transformation requires deliberate planning and careful implementation. This important fact was recognised in the early stages and the government initiated a scientific and comprehensive planning scheme that is based on five-year intervals. The First Five-Year Development plan began in 1970. This was followed by subsequent plans, now the seventh development plan (2000-2005) is being executed.

Each development plan had a set of objectives, and oil revenues provided the means for executing them at an early stage. The government was aiming through these plans to provide the necessary conditions for building a developed society with efficient utilisation of national resources. The first three development plans concentrated on building the physical infrastructure whereas subsequent plans were targeted toward the diversification of the economy and strengthening the growing private sector.

The substance of religious values and provision of national security were the basic principles underlying Saudi Arabia's development plans. Under these two basic principles, several broad goals were defined to be the basis under which specific plans would be developed. These goals are: 1) diversifying the economic base and reducing dependence on oil; 2) raising the standard of living and improving the quality of life; 3) maintaining economic growth and social stability; 4) strengthening the role of the private sector in the economy; 5) developing human resources; 6) developing and completing basic infrastructure, and 7) broadening the link between Saudi Arabia and other nations.

The First Five-Year Plan covered the period from 1970-1975. During this plan, many infrastructure projects such as schools and hospitals were built. Also, during this period, the oil sector was expanded, a new refinery was built in Riyadh and loans and subsidies were given to encourage the expansion of the agriculture and manufacturing sectors. Government expenditure during this plan was SR 80 billion.

This was followed by the Second Five-Year Plan that covered the period 1975-1980, during which the government spent SR 700 billion. This plan witnessed a rapid growth in the economy and population, and major infrastructure projects were accomplished. A major source for this rapid growth was the dramatic increase in both oil prices and production. The government created many institutions responsible for development such as specialised credit funds, the Ports Authority, the Royal Commission for Jubail and Yanbu, and the Ministry of Industry and Electricity.

The generous spending on development plans continued with the Third Five-Year Development Plan (1980-1985). Government expenditures for the third plan reached about SR 1,200 billion. This plan witnessed the completion of major infrastructure projects and development of both educational and health services. However, this period also witnessed volatile oil prices and oil revenues. This has led to a persistent budget deficit since 1982 (Saudi Arabian Monetary Agency, 2000).

During the Fourth Five-Year Development Plan, government revenues reached their lowest levels. The drastic drop in government revenues from SR 211 billion in 1979

to SR 76 billion in 1986 was mainly due to the decline of oil revenues. During this plan the concentration was on diversifying the economy and growing the private sector. The stated objectives of the plan were: completing the remaining infrastructure projects necessary to achieve long-term economic and social development; adopting a fiscal policy which keeps the level of expenditure in line with government revenues; developing human resources in order that overall development be achieved; and reducing dependence on the production and export of crude oil.

After the harsh consequences of the deterioration and fluctuation of oil prices and the drop of government revenues during the fourth plan, the Fifth Five-Year Development Plan (1990-1995) emphasised the importance of the private sector as a player in economic development. A greater role for private sector was anticipated through privatisation and transferring services that are traditionally operated by the government to the private sector. However, during the execution of this plan, a dramatic and devastating invasion of Iraqi troops into Kuwait led to the Gulf war in 1990. The war operations required huge expenditures that drained government resources and changed the composition of its plan. From 1991 to early 1993, the economy surged due to the internal wartime spending that boosted liquidity and stimulated new private investment. However, in late 1993 and 1994, the low oil prices and government budget cuts led to slow economic growth.

The Sixth Five-Year Plan (1995-2000) emphasised building the role of the private sector and local capital markets, and developing human resources through education. The plan's general objectives and strategic bases concentrated mainly on

human resources development, privatisation, and economic diversification (Ministry of Planning, 1998).

On 24th August 1999, the Seventh Five-Year Plan was introduced to cover the period 2000-2005. The plan reaffirms the country's commitment to free market principles while adhering to Islamic values. It also emphasises the important goals of diversifying government revenue sources, creating jobs for citizens both men and women, giving priority to privatisation, improving government efficiency, providing technical training for Saudi Arabians, promoting investment and growth, joining WTO, and expanding infrastructure to accommodate population and economic growth (Bourland, 2000).

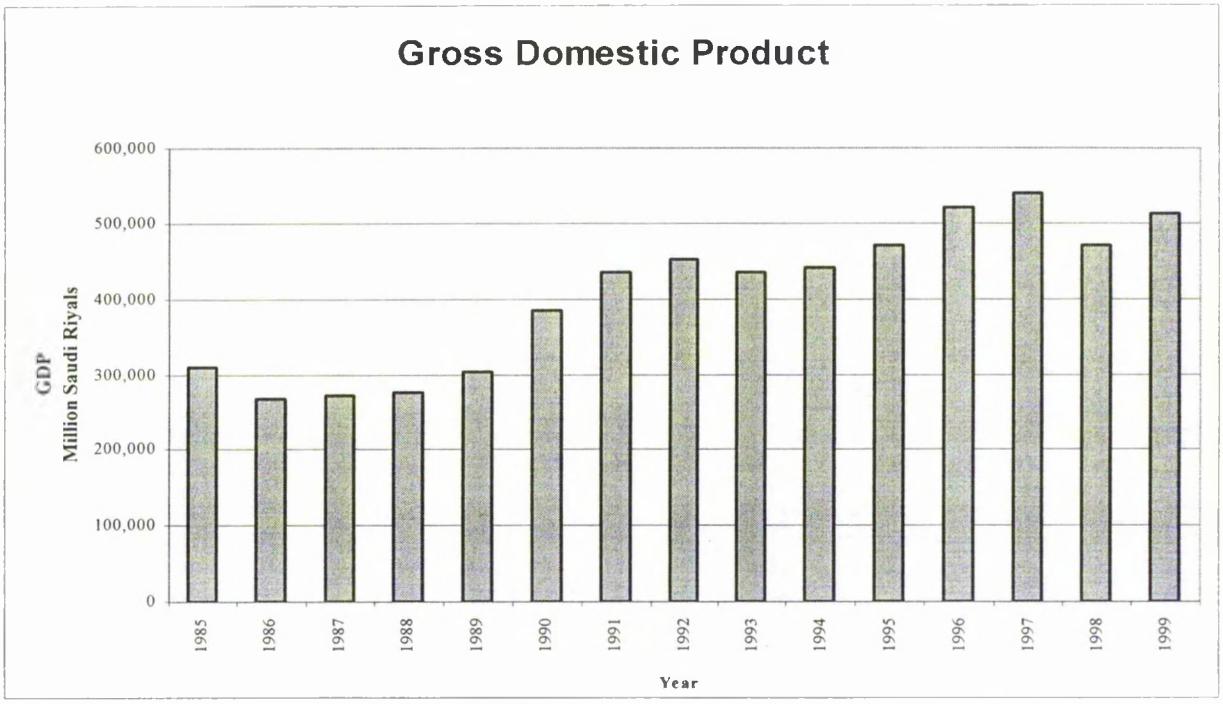
2.4.3. Economic Indicators

Since the discovery of oil in Saudi Arabia, oil revenues have constituted the main source of government revenues, and government expenditures provide the fuel for the economy. To understand the Saudi Arabian economy, it is important to understand the sources of government revenues. In 1999, the petroleum sector accounted for roughly 75% of government budget revenues, 40% of the Gross Domestic Product (GDP), and 90% of export earnings (World Factbook 2000). This does not reflect the ambitions of government plans to diversify the economy and increase non-oil resources.

Between 1986 and 1999 the GDP increased from SR 267 billion to SR 512 billion (Figure 2-2). The real growth for the past five-year plan averaged under 2% per year while the previous Five-Year Development Plan (1990-1995) average was 3.8% per year. The goal for the Seventh Five-Year Development Plan (2000-2005) is to attain an average real GDP growth of 3.16 %. In 1999, the petroleum sector represented 40% of the GDP compared to 61% in 1979. Also, during the same period the private sector contribution to GDP has increased from 22% in 1979 to 35% in 1999. The Seventh Five-Year Development Plan is anticipating that the petroleum sector share of GDP will drop to 28.4 %.

The increase in the private sector contribution to the GDP during the last two decades reflects government efforts to diversify the economy and increase the private sector role. The government commitment to diversifying the economy and improving government efficiency is prominent in the next Five-Year Development Plan. It has announced its intention to privatise many services that are currently operated by government agencies. One of the first major privatisation projects was the Saudi Telecommunications Company. The Company has been formed as a public company owned by the government and all assets have been transferred from the Ministry of Post, Telephone, and Telegrams to the new company. Within two years, the government is expected to sell a portion or all its shares in the company to the public.

Figure 2-2 Saudi Arabian Gross Domestic Product (1985-1999)



Source: Saudi Arabian Monetary Agency, 2000

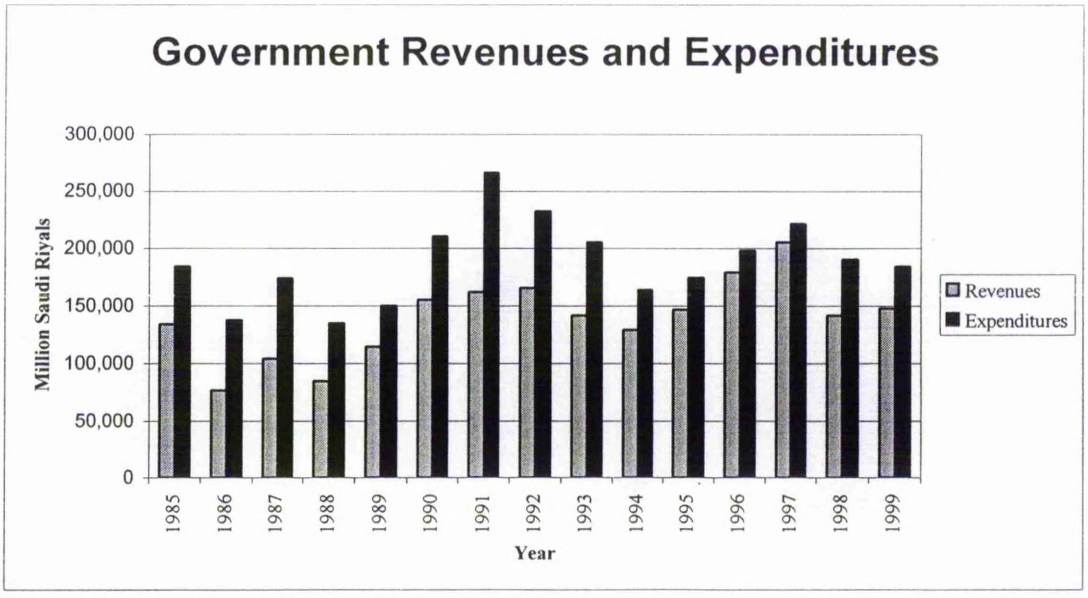
Government budgets have experienced a continuous surplus since the introduction of the First Five-Year Development Plan. This has enabled the government to spend generously on building the infrastructure and the economy. However, at the end of the 1970s, the wealthy old days started to fade as oil prices and oil production surged downwards. Since the early 1980s, government budgets have shown a continuous deficit that was aggravated by the second Gulf war where it reached the highest deficit level of SR 104 billion (40% of the budget) in 1991.

Figure 2-3 shows government revenues and expenditures for the period 1985-1999. We find that expenditures exceeded revenues during the entire period and both fluctuated from year to year. The second Gulf war effect is reflected in government

expenditures when it reached it highest level of SR 266 billion with a deficit of SR 104 billion in 1991 (Figure 2-4). The deficit was an historic record in the government financial performance. Government revenues in the year 2000 are expected to flourish, reflecting the record increase in oil prices that have exceeded US$ 30 per barrel. They are expected to reach SR 245 billion that is 56% higher than budget. At the same time a surplus of SR 59 billion is forecast (Riyadh Bank, 2000).

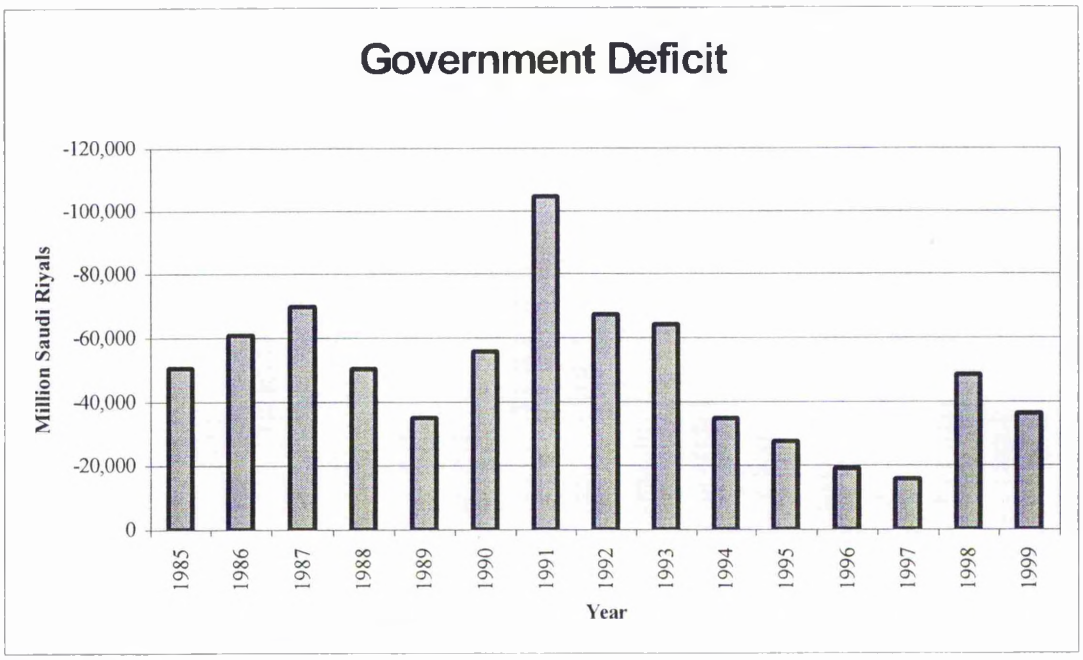
Another important indicator of the economic condition is the balance of payments. The balance of payments has been negative for many years (Figure 2-5). A major source of outflows is the high levels of foreign workers, remittances. With the large surplus in government revenues from oil exports, the balance of payments is expected to witness a surplus in the year 2000.

Figure 2-3 Government Revenues and Expenditures (1985-1999)



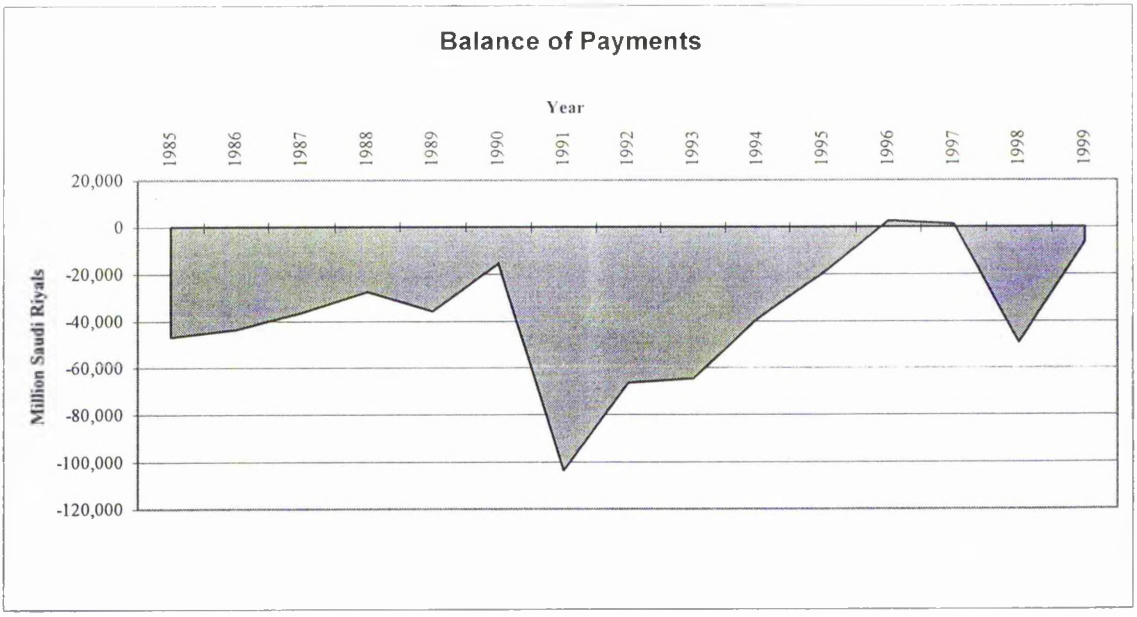
Source: Saudi Arabian Monetary Agency, 2000

Figure 2-4 Government Deficit (1985-1999)



Source: Saudi Arabian Monetary Agency, 2000

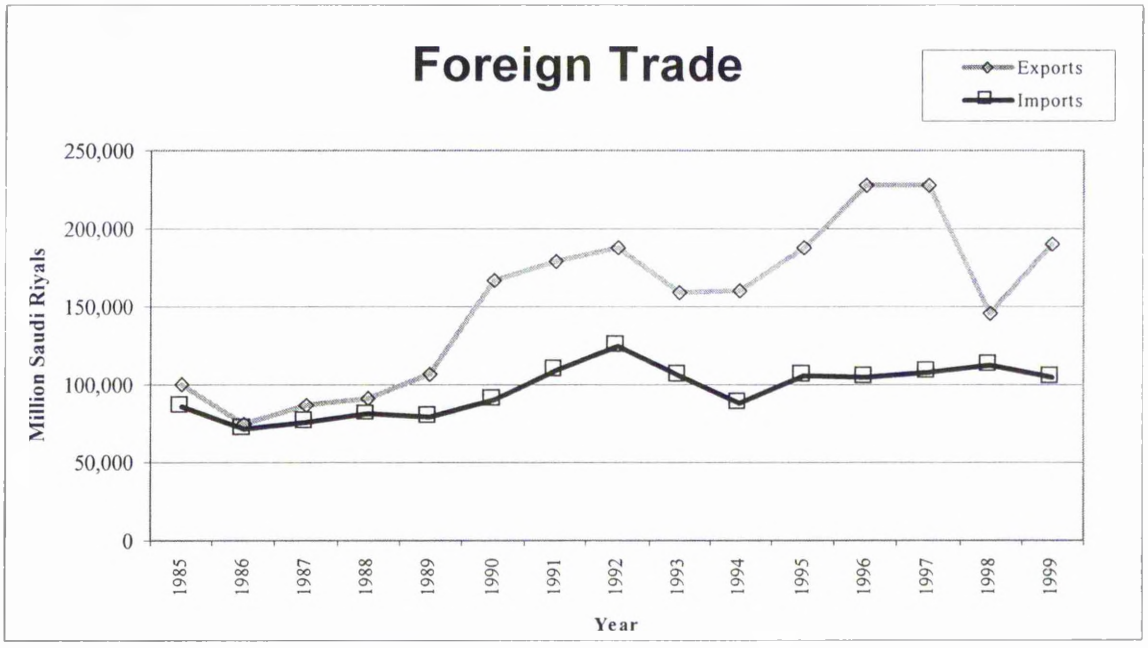
Figure 2-5 Balance of Payments (1985-1999)



Source: Saudi Arabian Monetary Agency, 2000

The Saudi Arabian balance of trade has been always favourable, thanks to oil exports. Figure 2-6 shows the exports and imports for the period 1985-1999. In 1999, exports were SR 190 billion, of which oil exports represented 90 %. It is notable that non-oil exports had increased from SR 3 billion in 1985 to SR 20 billion in 1999. However, they still count for only 10% of total exports. Non-oil exports need to be increased to change the composition of Saudi Arabian exports and achieve the government objectives of diversifying the economy.

Figure 2-6 Foreign Trade (1985-1999)



Source: Saudi Arabian Monetary Agency, 2000

2.5. Industrial Development

Saudi Arabia has witnessed remarkable development in the last thirty years. In 1974, its oil revenues quadrupled from the previous year and since then Saudi Arabia has capitalised on its oil base by moving downstream and enabling diversification into other industrial sectors (Schotta, 1995). Since the early seventies, the government has initiated multiple programmes to encourage industrial development, offering industrial land, and interest-free loans to investors. It has also exempted imported industrial equipment and raw materials from customs duties, and has taken bold steps in developing industry.

Based on government encouragement and support, the industrial sector has developed remarkably. In the last twenty-five years, the number of operating factories has jumped from 274 to reach 3,214 and non-oil exports have increased from SR 284 million to SR 20 billion. Two decisions made a great contribution to industry, the establishment of the Royal Commission of Jubail and Yanbu and the formation of SABIC.

This section examines the Saudi industrial development. It covers the development of the industrial sector, industrial policy, organisations associated with industrial development, and statistics related to export activity.

2.5.1. Historical Overview

The first move by the government in the direction of industrial development was in 1961 when it established an industrial affairs department under the Ministry of Commerce (Yamani, 2000). In the same year, the government issued a royal decree for the protection and encouragement of national industry, and in 1974, the government issued a declaration of industrial development principles and objectives. In 1975, a royal decree was issued for the establishment of the Ministry of Industry and Electricity and gave it the responsibility for executing and supervising the industrial policy (Yamani, 2000).

The government has taken many decisions in the direction of industrial development. In 1974, it established the Saudi Industrial Development Fund (SIDF) to provide interest-free loans of up to 50% of project investment. In 1976, the government took a major decision in industrial development by establishing SABIC. In 1979, it established the Saudi Consulting House to provide specialized consulting services for both the government and the private industrial sector. Also in 1979, the government issued the Foreign Investment Law to encourage foreign investors to participate in the industrial development.

2.5.2. Industrial Policy and Planning

In Section 2.4.2, the planning process in Saudi Arabia was discussed and it was explained that the First Five-Year Plan was effected in 1970. From industrial development perspective, the First Five-Year Plan stated the objectives of benefiting

from the vast capabilities of industrial development possible with the available organisational and human resources to develop and diversify the Saudi economy (Yamani, 2000). However, before that the government took important decisions to encourage industrial development. In 1961, a royal decree was issued to encourage and protect national industry. The decree included the following benefits;

- All industrial establishments were to be exempted from customs duties for all their equipment, machinery, and spare parts.
- All industrial raw materials were to be exempted from customs duties with the condition that no similar product was manufactured locally.
- The government was to provide industrial land for a nominal annual fee.
- Based on a recommendation from the Ministry of Commerce, local products could be protected through imposing quotas on imported products, increasing the customs duties of imported products, and/or providing financial incentives to industrial establishments.

In order for the government to support and emphasise its eagerness to encourage industrial development, in 1974 the government issued a declaration of industrial development principles and objectives. The declaration stated the following objectives (Ministry of Industry and Electricity, 2000):

- The government aimed to encourage and expand manufacturing industries.
- The private sector would be given the opportunity to invest in industrial projects based on a free competitive environment. The government would support them during the establishment process.

- The government considered competition between industrial firms to be a good mode for businessmen to select and invest in profitable projects that lead to consumers' benefit.
- The government would publish information about feasible industrial projects and provide management and technical service.
- The government was prepared to offer financial incentives to all industrial sectors.
- Saudi Arabia was to adopt an industrial licensing principle to organise its efforts in promoting and subsidising the industrial sector.
- The government would establish large industrial projects, which went beyond private sector capabilities, and would allow the private sector to participate in these projects. Ultimately, government policy was and is to sell its shares to the public at the right time with the exception of projects related to national security.
- The government was to do its utmost not to impose any quantitative restrictions or price control, except in monopolistic cases.
- The government would welcome foreign capital and know-how in participating in industrial development.
- The government was to provide the infrastructure for industrial development.

This was the first ambition of industrial policy. After that, the government started building the infrastructure of the industrial sector and issuing the appropriate policies to encourage and support industrial development. The different five-year plans included

progressive objectives for industrial development. Each plan stated specific objectives to be achieved with the horizon of the next five years. The current objectives of industrial development as stated by Ministry of Industry and Electricity are:

- Increasing the industrial sector capacity to produce a range of commodities at costs that will enable it to compete in domestic and foreign markets.
- Exploiting the advantage of low-priced energy, the abundance of raw materials extracted from oil and its derivatives and the agricultural, mineral and fisheries resources available, to diversify the industrial base.
- Encouraging full utilisation of private industrial capacities.
- Expanding and deepening links with advanced international technologies.
- Balancing regional industrial development.
- Raising industrial sector productivity.
- Lessening dependence of the industrial sector on the non-Saudi labour force through development of Saudi Arabian human resources.
- Increasing cooperation and integration among industrial establishments.

Although the government has initiated and offered generous programmes for industrial development, the main objective has been import-substitution. The Ministry of Industry and Electricity does not issue industrial licenses for projects unless there is a proven local demand for their products. A few years ago, the Ministry changed this policy. It is unfortunate that government programmes and policies hardly emphasised any export promotion issues.

2.5.3. Industrial Development Organisations

There are many organisations that play an important role in the industrial development. They include governmental and non-governmental bodies that facilitate industrial projects and export related activities. The objective of this section is to understand the environment within which the sample firms of this study are operating. The following are the major organisations involved in industrial and export development.

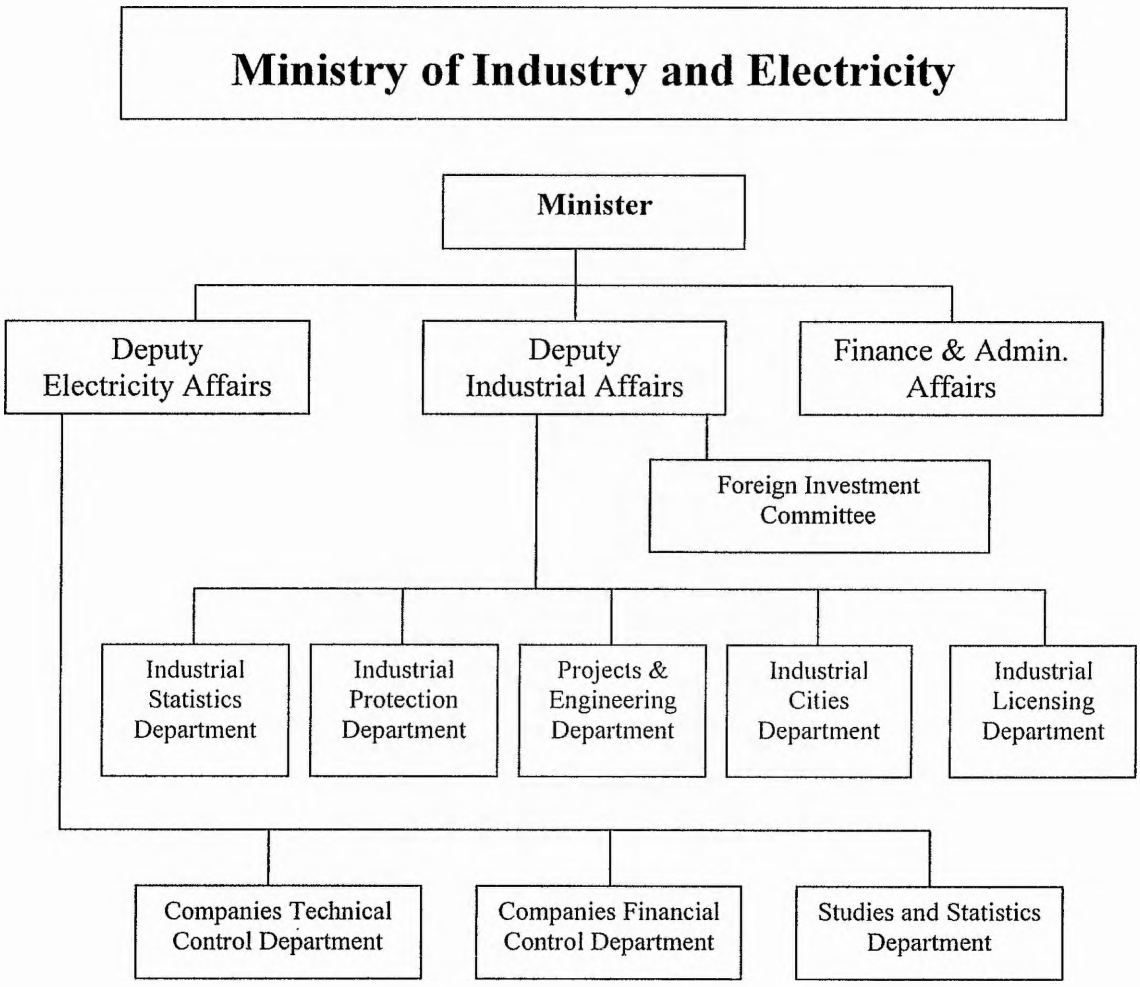
Ministry of Industry and Electricity. The Ministry was established in 1975 to supervise and co-ordinate industrial development in the country. The minister has two main deputies, one for industrial affairs and one for electricity affairs. The industrial section consists of five departments in addition to a permanent committee for foreign investment (Figure 2-7). The main activities of the ministry in relation to the industrial sector are:

- Evaluating new projects' applications and the issuance of Industrial Licences.
- Supervising the development and operation of industrial cities.
- Allocating industrial land to industrial projects.
- Proposing and monitoring industrial protection policies.
- Supervising the industrial subsidies programme.
- Approving and monitoring customs duties exemption applications.
- Preparing statistics for the industrial sector.
- Co-ordinating and heading a specialised committee that studies and approves foreign investment applications[1].

[1] General Investment Authority (discussed in Section 2.4), newly established, will be responsible for the committee role and the committee will be eliminated.

The Ministry administers eight industrial cities[1] with an allocated area of 65 million square metres. Three cities are located in the Eastern region, three cities in the Central region, and two cities in the Western region. These cities contain 1,232 factories. The Ministry is also developing another three cities.

Figure 2-7 Ministry of Industry and Electricity Organisational Structure



[1] These do not include Jubail and Yanabu cities that are administered by the Royal Commission for Jubail and Yanabu.

Saudi Consulting House (SCH)[1]**.** In 1966, a royal decree to establish a centre for industrial research and development was issued. The central objective was to prepare plans for Saudi industrial development based on studies and research. In 1979, the centre was converted to the Saudi Consulting House, but was operating on a commercial basis providing consulting services to both government and the private sector. After ten years, in 1989, as private sector consultancy services developed and government projects declined, SCH was converted to a government body under the Ministry of Industry and Electricity.

Saudi Industrial Development Fund (SIDF). SIDF was established in 1974 as a governmental financing body, to support the implementation of industrial development plans. The main role of the SIDF is to finance private industrial projects without charging interest. SIDF provides loans, up to 50% of the project total investment, that have to be paid back over a period of 15 years. The Fund receives no interest on loans, however a nominal administrative fee is charged.

Initially, the fund capital was SR 500 million, however subsequently it was increased to SR 7,000 million as the demand for financing industrial projects increased. During 1999 SIDF approved SR 1,264 million in loans to industrial projects. This brought the outstanding loans to SR 10,353 million. Since its inception, SIDF has disbursed a total of SR 30,866 million in loans to encourage industrial development and indeed it was a major player in the industrial development.

[1] General Investment Authority (discussed in Section 2.4) will supersede the Saudi Consulting House.

Chambers of Commerce and Industry. The first Chamber of Commerce and Industry was established in 1945 in Jeddah. It was followed by the Makkah Chamber of Commerce and Industry (1947), Eastern Province Chamber of Commerce and Industry (1952), and Riyadh Chamber of Commerce and Industry (1961). Between 1967-1988, an additional 16 chambers were established. As chambers of commerce and industry play an important role as a channel of communication between businessmen and government agencies, there was a need to co-ordinate their interests and views. Therefore in 1980, the Saudi Chambers Council was established to work as an umbrella organisation for the 20 Saudi Chambers.

Chambers of commerce and industry in Saudi Arabia play an important role in conveying businessmen's views, needs, and interests to the government and co-ordinating trade activities nationally and internationally. Another crucial role is the hosting of specialised committees. In Saudi Arabia there are no specialised technical or industrial associations to represent the interests of certain groups. For this reason, the chambers host specialised committees to work under their umbrella. There are many committees, such as the industrial committee, petrochemical industry committee, plastic industry committee, paint manufacturers committee, and the agricultural committee. Each chamber creates its own committees based on the needs of its region. Also, there exist national committees, under the aegis of The Saudi Chambers Council, where members of the regional committees constitute the national committee and co-ordinate the interests of different committees.

Saudi Export Development Centre (SEDC). As the export awareness of Saudi manufacturers increased in the early 1980s and with the absence of a governmental body responsible for export promotion, businessmen established an export development centre to operate under the Saudi Chambers Council overall supervision. The SEDC was established in 1986 and its main source of funds is donations made by large chambers of commerce and industry. Its main objective is to promote Saudi Arabian exports through participation in international exhibitions and providing information to Saudi Arabian exporters about international export opportunities.

The SEDC played a satisfactory role in boosting exports. The government now deals with the centre as a representative of Saudi Arabian exporters. Members of the centre participate in government bilateral trade negotiations. Also, the SEDC represents exporters in negotiating the solution of exporting problems with the government. The SEDC initiated the "Made in Saudi Arabia Exhibition" that is held annually in different countries. It also co-ordinates the participation of Saudi exporters in many international trade fairs. The SEDC encouraged and assisted in the establishment of the Saudi Industrial Export Company. The company was established by the private sector in 1989 with the objective of marketing Saudi products in foreign markets.

Unfortunately, SEDC has limited resources and is severely under-funded while it carries a huge potential task load (Al-Ali, 1995). To improve their resources, they have introduced a membership scheme, where they provide additional services for members and offer them special privileges.

Royal Commission for Jubail and Yanbu. The Commission was set up in 1975 with the aim of establishing the infrastructure for basic industries. The Commission, as its name indicates, is responsible for two of the largest industrial complexes in the area. Two locations were selected after extensive technical studies, one located in Jubail on the Arabian Gulf with an area of 930 square kilometres, and the other in Yanbu on the Red Sea with an area of 180 square kilometres. Both cities were created and facilitated with outstanding modern infrastructure, bearing in mind that they will host some of the largest industrial complexes in the world.

The Commission is responsible for building and operating all the facilities in those two cities. They planned the cities and built roads, schools, houses, ports, communication systems, and all services. Each city has two ports, one commercial and the other a specialised industrial port. They even founded a technical college to educate a technical workforce to support industry.

Jubail and Yanbu are considered two industrial cities of the highest world class, each built and equipped to satisfy its objective and provide the right environment to accommodate large and sophisticated industrial complexes (Saudi Consulting House, 1999). Each city is divided into three industrial parts: basic industries, secondary industries, and support industries. This is in addition to residential areas.

Saudi Arabian Basic Industries Corporation (SABIC). During the early seventies, the world witnessed critical changes in the petrochemical industry that led the Saudi Government to consider building and operating large manufacturing complexes for

basic industry (Yamani, 2000). In 1976, the government established SABIC with a capital of SR 10 billion to build and operate basic industries utilising local hydrocarbon and mineral resources as raw materials (Saudi Consulting House, 1994). The government sold 30% of its share in SABIC to the public.

SABIC was the miracle in the desert, as no other petrochemical company ever built and operated so many world scale manufacturing plants, with such a large capacity in a short time (Ibn Salamah, 1995). SABIC selected the joint venture approach to set up its industrial complexes. It established joint ventures with international top companies that own advanced manufacturing technologies. Currently, SABIC owns 17 basic industrial complexes.

King Abdul Aziz City for Science and Technology. King Abdul Aziz City for Science and Technology was established in 1979 under the name of "Saudi National Centre for Science and Technology". It was renamed in 1986. The city has the following objectives:

- Suggesting national policies and strategies to develop science and technology.
- Supporting the private sector in their research to develop new products.
- Funding research programmes that are conducted jointly between Saudi Arabian and international scientific bodies.
- Offering scholarships for developing qualified scientists who will carry out the City's research programmes.

The City has seven specialised institutes: the Institute of Power Research, Institute of Nuclear Power Research, Institute of Natural and Environmental Resources Research, Institute of Petroleum and Petrochemicals Research, Institute of Astronomy and Geophysics Research, Institute of Space Research, Institute of Electronics and Computer Research. The city also houses the national office for patent registration.

Export Financing Programmes. Although Saudi Arabia does not have a national body for financing and guaranteeing exports, it has joined several regional programmes that entitle Saudi exporters to benefit from them. These programmes include:

- The Long-Term Financing of Trade Programme that is managed by the Islamic Development Bank to promote export activities between members of the Organisation of Islamic Conference. The programme finances exports transactions over a period of 18 to 60 months provided that exported products have an added value of 40 %.
- The Arab Trade Financing Programme founded by the Arab Monetary Fund to promote trade between Arab countries.
- The Import Financing Programme offered by the Islamic Development Bank. This programme is aimed to support Islamic Development Bank members in their development process by financing imports from members' countries.
- The Arab Programme for Export Guarantee offered by the Inter-Arab Investment Guarantee Corporation.

2.5.4. Indicators of Industrial Development

Historically, the Arabian Peninsula has known a variety of traditional industries that mainly involve hand-made products and the use of local raw materials. However, machinery based industries were not established until the middle of the twentieth century. In 1961, a survey indicated that there were 624 workshops, including bakeries, garages, carpentry, and ice factories (Ministry of Industry and Electricity, 1999).

Modern industry started to develop with the beginning of the planning process. Licensed producing factories had increased from 245 in 1975 to 3,214 factories in 1999 (Yamani, 2000). During the same period, investment in these factories increased from SR 10 billion to SR 232 billion. Figure 2-8 shows the development of operating factories during the period 1981-1999 and Figure 2-9 shows the development of the investment in these factories during the same period. The contribution of the non-oil industrial sector to GDP increased from SR 8 billion (1.5% of GDP) in 1980 to SR 35 billion (6.6% of GDP) in 1999. At the same time, the number of employees working in the industrial sector increased from 86,000 in 1980 to 295,000 in 1999.

Non-oil exports have witnessed a tremendous development in the last twenty years. Between 1979 and 1999, non-oil exports increased from SR 2 billion to SR 20 billion (Figure 2-10). Table 2-1 presents the composition of Saudi Arabian non-oil exports for the period 1995-1999. The table shows that chemicals and petrochemicals exports represent 46% of the non-oil exports. It is important to note that about 65% of

these exports are accounted for by the SABIC, a semi-government company. As an aggregate, in 1999 non-oil exports represented 11.5% of total exports compared to 15.8% in 1998 and 7.5% in 1992. However, this percentage does not reflect a trend in the actual value of non-oil exports, but rather illustrates the influence and the fluctuation in oil exports.

Figure 2-8 Number of Operating Factories in Saudi Arabia (1981-1999)

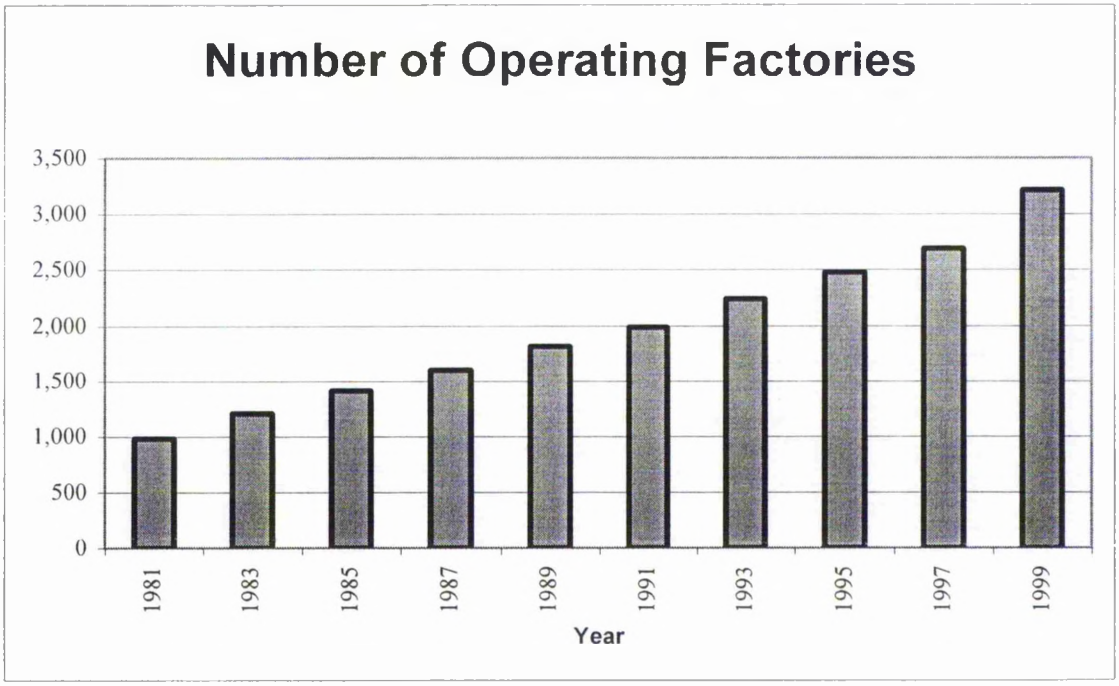


Figure 2-9 Total Capital of Operating Factories in Saudi Arabia (1981-1999)

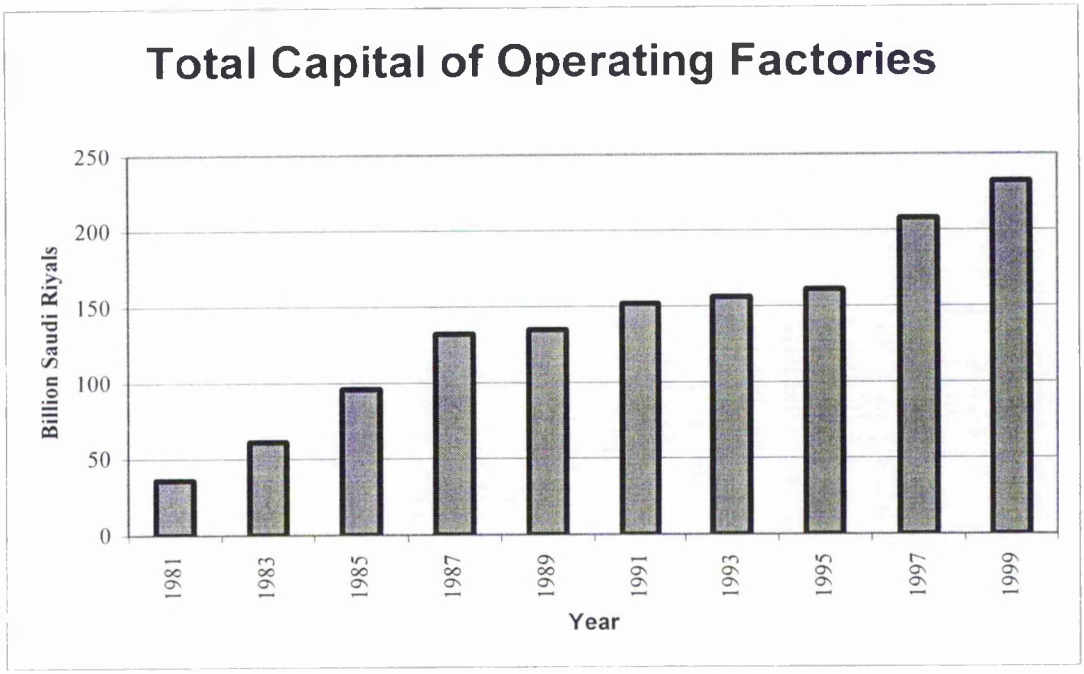
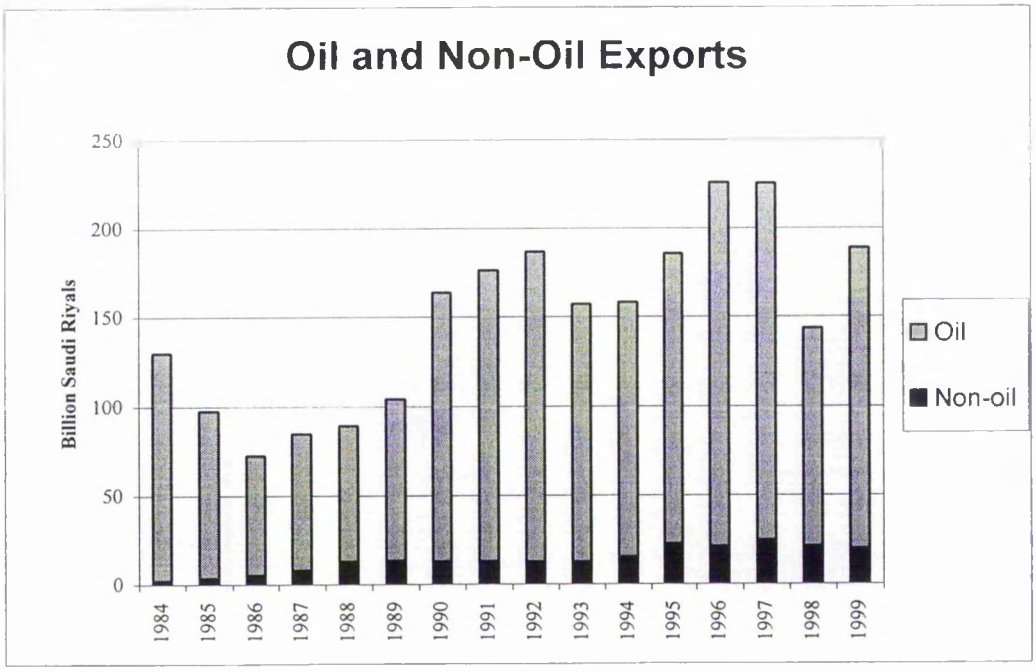


Figure 2-10 Distribution of Exports, Oil and Non-Oil (1984-1999)



Source: Saudi Arabian Monetary Agency, 2000

Table 2-1 Composition of Saudi Arabian Non-Oil Exports (1995-1999)

Product Group	1995	1996	1997	1998	1999	Examples
Food & Beverages	7.0%	6.3%	6.7%	7.9%	8.9%	Dairy products, poultry products, fisheries, dates, cooking oil, confectioneries, juices, and chewing gum.
Chemicals & Petrochemicals	45.1%	48.8%	44.6%	47.1%	46.1%	Polyethylene, ethylene, polypropylene, polystyrene, fertilisers, industrial gases, titanium oxide, paints, formaldehyde, detergents, and methanol.
Plastic & Rubber Products	24.2%	20.1%	22.9%	19.6%	17.7%	Pipes, fitting bags, kitchenware, sacks, tableware, bottles, films, foils, containers, furniture, and water tanks.
Base Metals and Articles of Base Metal	11.7%	11.2%	12.1%	10.4%	10.9%	Cables, cans, electric towers, pre-engineered building, pipes, aluminium furniture, aluminium profiles and accessories, steel products, metal spare parts, trailers,
Electrical Machines, Equipment & Tools	3.8%	5.0%	4.4%	4.8%	4.4%	Electric panels and transformers, pumps, refrigerators, liquid elevators, valves, circuit breakers, air conditioning, magnetic tapes, electric generators, ovens, cooking appliances, and fire extinguishers.
Other Exports	8.3%	8.6%	9.2%	10.1%	12.0%	Leather, shoes, tents, carpet, office furniture, paper products, baby diapers, disposable tableware, and packaging materials.
Total (%)	100.0%	100.0%	100.0%	100.0%	100.0%	
Total Non-Oil Exports (Million SR)	22,558	21,364	24,721	21,131	19,918	
Total GDP (Million SR)	471,152	520,375	539,520	470,760	512,354	
Percent of Non-Oil Exports to GDP	4.8%	4.1%	4.6%	4.5%	3.9%	

Source: Saudi Arabian Monetary Agency, 2000

2.6. Summary

Saudi Arabia is a developing country that is endowed with great petroleum resources. It is the largest oil exporter in the world, and possesses a quarter of world reserves. The country's economy is based on oil revenues. Oil revenues represent nearly two thirds of government revenues and oil exports represent 90% of total exports. In 1970, the government initiated a scientific and comprehensive planning scheme that is based on five-year intervals. The main objective of this planning scheme is to build a developed society. Initial plans were targeted on building the physical infrastructure whereas subsequent plans concentrated on diversification of the economy and strengthening the private sector. Despite the ambitious objectives of diversifying the economy, oil continues to represent the backbone of the Saudi Arabian economy. "Dependency on crude oil exports in Saudi Arabia became a national phobia" (Al-Aali, 1995, p.18).

Since the early seventies, the government has initiated multiple programmes to encourage industrial development, offering industrial land, and interest-free loans to investors. It has also exempted imported industrial equipment and raw materials from customs duties, and has taken bold steps in developing the industry. As a result, the number of producing factories had increased from 245 in 1975 to 3,214 factories in 1999. During the same period, non-oil exports increased to reach SR 20 billion. However, about 65% of these exports are accounted for by the SABIC, a semi-government company that exports petrochemical products. The private manufacturing sector is left with only SR 7 billion or 3.7% of total exports most of which goes to GCC countries.

The present study aims to explore the factors influencing export performance of Saudi Arabian exporters. Its findings are expected to provide important guidelines for both Saudi Arabian exporters and policy makers, to improve firms' export performance and lead to the diversification of the Saudi Arabian economy. The next chapter presents an empirical review of export performance determinants, a review that will lead to the development of this research export performance model and hypotheses.

CHAPTER THREE
DETERMINANTS OF EXPORT PERFORMANCE: AN EMPIRICAL REVIEW

3.1. Introduction

Chapter two outlined the economic and industrial development of Saudi Arabia. It emphasised the importance for Saudi Arabia to develop its manufactured exports. This chapter presents a review of the literature on export performance. The review is essential in developing the conceptual framework of the current study on firms' export performance in Saudi Arabia. The rest of the chapter is organised as follows. In Section 3.2 theories of international trade and the theory of the firm are discussed. It also explains the initial and subsequent development of firms' export performance studies. Section 3.3 critically assesses various measures of export performance. Section 3.4 discusses the factors influencing firms' export performance. The section classifies these factors into six main categories: firms' differential advantages, export marketing strategy, management quality, local market environment, national environment, and foreign market environment. Under each category the related factors and previous studies findings are discussed.

Overall, this chapter reviews three decades of empirical research on firms' export performance. It presents extensive research findings relating export performance to various independent variables.

3.2. Theories of International Trade and Export Performance

There has been a substantial amount of research carried out by economists to explain the trade between nations. These efforts have led to the development of several theories in international trade. "The most commonly cited international trade theories are those of absolute advantage [Smith 1776], comparative advantage [Ricardo 1817], factor endowment [Ohlin 1933; Heckscher 1950], ... and product life cycle [Vernon 1966; Wells 1968]" (Leonidou & Katsikeas, 1996, p. 518).

Although these theories improved the understanding of international transactions among nations and their relation to economic development (Hsieh, 1993), they failed to explain the imperfection of the international trading system (Douglas, 1993). Hsieh (1993) summarises the criticism of these theories:

> ... the Ricardian model of trade assumes only two countries with only two commodities involved in international trade. The Heckscher-Ohlin theory assumes free competition in all markets and absence of transportation costs; hence, the same commodity has the same price between different countries or areas. ... Given the inability of these two theories to explain transactions of more than two countries, the product cycle theory of international trade is developed. Although the product cycle theory of international trade has been useful in explaining and predicting trade patterns of some manufacturers and multinational expansion of manufacturing subsidiaries, this theory cannot explain how and why an individual firm participates in export marketing and may not provide appropriate directions for small & medium firms to improve their export performance. (p. 215)

Even though these theories attempt to explain the nature of international trade, they still do not address many issues (Douglas, 1993; Hsieh, 1993). "Aspects such as tariffs, transport costs, protectionism, political ideas, competitiveness were ignored and the complexities of modern international trade and the importance of firms in the process of trade were not explained" (Douglas, 1993, p. 21). These economic theories dealt with the macro-level and did not involve the firm level determinant of export involvement and performance. They do not explain the decision making process within the firm.

The interest in firm level decision making has led to the development of the theory of firm. The theory of firm views the firm as an intermediate agent between resource owners and consumers, resources are sold or hired to the firm and commodities are bought from the firm (Rogers, 1987). The theory assumes that the firm operates within a perfectly competitive market and that the firm objective is to maximise net revenue within given price and production function (Cyert & March, 1992). The assumptions on which the theory was based were unrealistic. "Profit maximization, it is commonly alleged, is either only one among many goals of business or not a goal at all... both classical assumption of certainty and its modern equivalent – knowledge of the probability distribution of future events – have been challenged" (Cyert & March, 1992, p. 8). The theory of the firm does not consider the complex nature of the firm, it assumes no management aspirations, no problems of control, no budgets, no procedures.

Cyert and March in their conceptualisation of the behavioural theory of the firm argue that the disagreement about the theory of the firm has three aspects (1) what the theory is, (2) the extent to which the theory is defective, and (3) appropriate methods for

improving the theory. They note that the conventional theory has three characteristics (Cyert & March, 1992, p. 16):

1. It deals with a particular set of decisions that are viewed as functions of few "catch-all" variables.
2. The theory uses aggregation as a tactic; it attempts to specify total market supply and demand curves.
3. There is no attention paid to the actual process by which individual firms reach decisions

Because of the deficiency of the firm theory to explain the behaviour of firms, Cyert and March propose a behavioural theory of the firm. They suggest that the economic behaviour of a firm is a result of an interplay between internal operations and factors within the firm's external environment and the firm has some control over the market in which it operates. The behavioural theory of the firm holds that it is possible to analyse the decision making process in terms of variables that affect organisational goals, variables that affect organisational expectations, and variables that affect organisational choice. Two sets of variables were identified that affect the goals of an organisation. The first set influences the dimension of goals and the second set influences the aspiration level of any particular goal dimension. With regard to organisational expectations, they are seen as an outcome of drawing inferences from available information. Finally, organisational choice occurs in response to a problem and employs standard operating rules to identify an alternative that is acceptable within the evoked goals (Cyert & March, 1992).

The interest in firms' export performance began in the early 1960s. Such interest was triggered by the low export performance of many countries that have the potential to be successful exporters, and the inability of macro-economic studies to explain the different export performance of firms within the same industry and same country (Boukersi, 1991). On the other hand, export performance researchers did not adapt the firm behavioural theory, probably due to the limited scope of the theory and the complex and multidimensional nature of export performance. Since the 1960s, a substantial literature has accumulated investigating the external and internal variables influencing the individual firm's export performance and its internationalisation process.

The literature in export performance has been classified in many different ways. Some compared exporters with non-exporters (e.g., Al-Aali, 1989; Burton & Schlegelmilch, 1987; Cavusgil & Naor, 1987), others contrasted aggressive with passive exporters (e.g., Da Rocha, Christensen & da Cunha, 1990) or proactive with reactive exporters (e.g., Campbell, 1996; Piercy, 1981b). These studies explored the variables that differentiate the two groups of firms and identify the ones associated with better performance. From another perspective, some researchers attempted to investigate the motives and barriers to exporting (e.g., Karafakioglu, 1986; Leonidou, 1995; Sharkey, Lim & Kim 1989; Shoham, Rose & Albaum, 1995). These studies were directed to determine which variables motivate the firm to involve and expand its exports and to highlight the variables that hinder and discourage the firm's export involvement and expansion in exporting.

There are many studies that have investigated the internationalisation process of a firm and proposed export development models (e.g., Andersen, 1993; Bilkey & Tesar, 1975; Clark, Pugh & Mallory, 1997; Johanson & Vahlne, 1977; Madsen, 1997). The different models proposed different stages that a firm has to pass through during its internationalisation process. Although there is general agreement that exporting is a developmental or incremental process and that firms pass through different stages in their export development, there is disagreement on the number and nature of the different export stages (Samiee, Walters & DuBois, 1993). Despite the differences among the various models and the number and content of the stages, one conclusion that can be drawn is that the export development process comprises three broad phases: pre-engagement, initial, and advance (Leonidou & Katsikeas, 1996).

There is a remarkable aggregate of research exploring the firm's export performance, however much of it is fragmented. There were serious efforts to consolidate and integrate empirical export research into a consistent conceptual structure (e.g., Aaby & Slater, 1989; Bilkey, 1978; Chetty & Hamilton, 1993; Gemunden, 1991). "However, despite the considerable research, no comprehensive or widely accepted theory has yet emerged that explains the firm's export expansion behavior, due to its multidimensional, complex and dynamic nature" (Leonidou & Katsikeas, 1996, p. 518). The following section presents the literature on export performance measures.

3.3. Export Performance Measures

There is little agreement on a uniform definition of export performance in the literature (Cavusgil & Zou, 1994; Das, 1994; Gray, 1997; Walters & Samiee, 1990). Ross (1982) defines export performance as "... how well the firm performs in the foreign market relative to other firms" (p. 82). Whereas Cavusgil and Zou (1994) define it as "the extent to which a firm's objectives, both economic and strategic, with respect to exporting a product into a foreign market, are achieved through planning and execution of export marketing strategy" (p. 4).

The researchers used either objective or subjective measures for export performance (Das, 1994). Objective measures found in the literature are export volume, export sales' growth, export intensity (exports as percentage of total sales), profits from exports, number of export transactions handled, export market share, and number of export markets served. However, other researchers argue that export performance is not an objective term and that success is evaluated against historical records, expectations, and objectives (Louter, Ouwerkerk & Bakker, 1991). For this reason, some researchers used subjective measures such as executives' and export managers' perceptions of export performance (Bilkey, 1985; Fenwick & Amine, 1979; Hsieh, 1993). They argue that a reasonable measure of success is the ability of meeting a company's goals and therefore any measure of export performance should include self-assessment of success.

This section discusses the most commonly used measures of export performance and the criticism concerning them.

Export intensity is the proportion of export sales to a firm's total sales. It is also referred to as export sales ratio. In the literature, export intensity is one of the most widely used measures of export performance (Aaby & Slater, 1989; Dominguez & Sequeira, 1993; Douglas, 1993; Hart & Tzokas, 1999). Walters and Samiee (1990), in their review of 31 studies, found that 68 percent of the studies used export intensity as one of the measures of export performance. Das (1994) used two measures to measure export performance, export intensity and growth in export volume for five years, and found that the export intensity measure yielded more significant and relevant discriminate functions. Axinn (1988) used export intensity in her study on export performance and argued that "it provides a good indication of both how deeply involved a firm is in exporting, and how successful the firm is at exporting" (p. 61).

Ross (1982), taking into consideration the limitations of different export measures, developed criteria to guide the selection and adaptation of export performance measure. He suggested that an export performance measure should represent the relative export performance of the firm in the export market, be seen as intuitively reasonable and useful by managers, be seen as useful by policy makers in developing countries, be relatively easy to obtain, and should facilitate comparison with past research. Based on the above criteria, Ross found export intensity to be the most suitable measure of export performance.

Despite being easy to obtain and widely used in export research studies, export intensity is not free from criticism (Das, 1994). Many researchers argue that export intensity does not reflect all aspects of export performance (Schlegelmilch & Crook,

1988). It gives little or no clue as to whether a firm is grasping all of the profitable opportunities in the market place (Rogers, 1987). Export intensity is also affected by sales volume (numerator) as well as the denominator, which means that firms may have high export intensity while they export small volume. Export intensity rather seems as an indication of export involvement and dependence on export activities (Katsikeas, 1994).

Researchers measured export intensity by either objective or subjective measure. Cavusgil (1984b) used ordinal scale, whereas Axinn (1988) and Cooper and Kleinschmidt (1985) used actual data of export intensity. Other researchers used managers' subjective evaluation of their firm export intensity relative to domestic competitors (Kirpalani & Macintosh, 1980).

Export sales growth is defined as the percentage increase of annual export sales compared with the previous year. It indicates the trend in export sales, and the higher the export sales growth rate the better the export performance (Mohamad, 1994). Similar to export intensity, export sales growth is one of the most widely used measures of export performance (Aaby & Slater, 1989; Dominguez & Sequeira, 1993; Douglas, 1993; Hart & Tzokas, 1999). This measure is more dynamic than export intensity as it reflects the firm's export performance change on annual bases (Al-Khalifa, 1993). This measure is always used as a complement to export intensity (Mohamad, 1994).

The weakness of this measure is that export performance may be understated or overstated. Export sales growth is based on the previous year's export sales, thus firms exporting a very small proportion of their sales may show high growth rate with small

increase in their export sales and may double their export sales. On the other hand, it is more difficult for firms with high export intensity to exhibit high export sales growth rate. This measure is also influenced by rapid price escalation or currency depreciation (Mohamad, 1994). And in some cases, a firm may show export sales growth because the market is growing and not due to its own efforts and competitiveness.

Export sales growth is measured either subjectively or objectively. Cooper and Kleinschmidt (1985) and Walters and Samiee (1991) used actual rate of export sales growth. Das (1994) and Dominguez and Sequeira (1991) used a subjective measure based on managers' evaluation of export sales growth. Madsen (1989) utilised a subjective measure where managers have to evaluate their firm's export sales growth compared to the domestic market performance.

Export profitability is a complex variable to measure (Bilkey, 1982). Walters and Samiee (1991) used after-tax profit margin as an objective measure of export performance, the higher the profitability level, the better the firm's performance. However, the objectivity of export profitability is questionable due to variations in accounting practices and the arbitrary cost allocation methods utilised by exporting firms that make it difficult to compare firms (Mohamad, 1994; Ross, 1982). Bilkey (1982) argued that relative measures of export profitability would be more reliable than absolute measure. He used a five-point scale in which firms' managers evaluated their firms export profitability compared to domestic market profitability.

Besides the variations in accounting practices, one of the major obstacles of using export profitability as an objective measure is the inclination of management to declare such information (Bilkey, 1982; Madsen, 1989). Another issue is that few firms prepare a separate profit and loss account for export activities (Mohamad, 1994). Cavusgil and Zou (1994) indicated that they measured whether exporting is profitable rather than the level of profitability because managers were reluctant to reveal information.

Few studies have examined export profitability and most of them utilised subjective or relative measure (Dominguez & Sequeira, 1993). Mohamad (1994) in his study of Malaysian exporters adapted a five-point subjective scale that ranges from far above expectations to far below expectations. Rogers (1987) used actual data of firms' export profits. Madsen (1989) adapted a seven-point scale where managers had to compare their export profitability with the local market profitability.

So far, we have discussed the three most frequently used performance measures. Researchers utilised various **other export performance measures** such as export sales volume, number of export markets, and market share in foreign markets. Wider variations of subjective export performance measures have also been utilised, especially among government agencies. For example, the U.K. Queen's Award utilises "a break-through in a particularly difficult market" and the Canada Export Award rewards "holding off strong foreign competition in overseas markets". On the other hand, the weakest performance indicators are exporter vs. non-exporter dichotomy and continued exporting (Walters and Samiee, 1991).

Some researchers have used multiple or multidimensional measures that include one or more of the mentioned measures (Das, 1994; Dominguez & Sequeira, 1993; Rogers, 1987). The argument is that multi-dimensional measures may provide a better indication of performance and overcome the limitations of a single measure. Rogers (1987) used in his study both a single measure (export intensity) and multi-dimensional measures (including export growth, profitability, success and satisfaction) and he found the uni-dimensional measure more significant in deriving the determinants of export performance. He attributes this weak support to the loss of data resulting from aggregating various scales into construct scores.

Recently, there were serious attempts to develop multi-dimensional measures of export performance (Styles, 1998; Zou, Taylor, Osland, 1998). Zou et al. proposed a three-factor export performance (EXPERF) scale to capture export performance at the export-venture level. The three dimensions of the EXPERF scale are financial, strategic, and satisfaction. Similarly, Styles attempted to refine the measure developed by Zou and Cavusgil (1994) and test it in both the United Kingdom and Australia. Again, the measure was at the export-venture level and measured export growth, profitability, achievement of strategic objectives, and perception of success.

In conclusion, export performance measurement has reached little agreement although it has received great attention. The three measures presented earlier (export intensity, growth, and profitability) represent an agreement in general, however how they are operationalised and how they can be integrated has not yet been resolved. Gemunden (1991) argued that previous research found no positive relationship between export

intensity and either export sales growth or export profitability. He suggested, based on this finding, that the three measures should be used to develop different models for each dimension. On the other hand, Munro and Beamish (1987) and Shoham (1998) concluded that export performance should be conceptualized as a composite measure of export sales, export profitability, and export growth. As more research accumulates, our understanding of export performance will be enriched. Our hope is to synthesize these findings to reach an agreed-upon export performance measure. This may not be in the near future as Madsen (1998) views it:

> An attempt to find a generally valid export performance measure is impossible, even if examining different export ventures within the firm. Export performance goals are partly unique for each export venture and /or firm. Furthermore, different stakeholders with interest in the exporting of a particular firm may have different goals for the same export venture or business unit exports. (p. 91)

3.4. Factors Influencing Firms' Export Performance

There is general agreement that export performance is influenced by a variety of factors, however there is no unanimous agreement on the existence or the influence of certain factors on the export performance. Such factors are numerous; for example Gemunden (1991) in his review of fifty export-related empirical studies identified more than 700 factors. There were a number of attempts to make a comprehensive review of export performance studies aiming to draw conclusions (Aaby & Slater, 1989; Bilkey, 1978; Chetty & Hamilton, 1993; Gemunden, 1991), however as Aaby and Slater (1989) described it "...much of the knowledge regarding successful export practice is fragmented" (p. 7).

In general, there is agreement that factors influencing exporting firms can be classified into internal and external. However there is confusion in whether to classify certain factors as internal or external (Boukersi, 1991). There are many categorisations of such internal and external factors and there are many ways of describing them. For example, Aaby and Slater (1989) classified the internal factors into three categories: firm characteristics, firm competencies, and strategy. Cavusgil and Nevin (1981a) classified the internal determinants of export performance into four groups, namely: differential firm advantages, strength of managerial aspirations for various business goals, management expectations about the effect of exporting on business goals, and the level of organisational commitment to export marketing. Regardless of the classification of internal factors influencing the firm's export performance, they include variables that are under control or due to the internal environment of the firm. These factors include management, firm size, product, strategy, etc.

On the other hand, external or environmental factors are those factors that prevail outside the firm domain and are neither directly controlling the firm nor directly controlled by the firm (Pak, 1991). These factors include for example domestic market size, government policies, and foreign market attractiveness, and to some extent these factors have been neglected in empirical studies (Boukersi, 1991). In addition, some studies have combined both internal and external factors (Cavusgil & Zou, 1994; Douglas, 1993; Pak, 1991; Ross, 1982; Schlegelmilch & Crook, 1988).

In the present review, the factors influencing export performance have been classified into six main groups. Three groups are concerned with internal factors: firm differential advantages, export marketing strategy, and management; the other three groups are concerned with external environment and they are: local market environment, national environment, and foreign market environment.

3.4.1. Firms' Differential Advantages

In the export performance literature, differential firm advantages refer to the unique advantages that an individual firm possesses over other firms (Pak, 1991). The influence of such advantages has been investigated by many researchers (e.g. Cavusgil, Bilkey & Tesar, 1979; Cavusgil & Naor, 1987; Dominguez & Sequeira, 1993; Douglas, 1993; Kirpalani & Macintosh, 1980; Madsen, 1989; Pak, 1991; Simmonds & Smith, 1968). Some researchers describe these advantages as competencies. There are many researchers who concluded that these advantages are not sufficient for exporting to take place or succeed, however they are important to motivate the firm management to enter into export marketing (Cavusgil, 1984b; Pak, 1991, Rogers, 1987). Rogers (1987) concluded that differential firm advantages were one of the most significant determinants of a firm's export performance. In this section, the literature findings regarding various variables related to firms' differential advantages are discussed.

There is no single factor that has been investigated like firm size, however there is little agreement on its influence on export performance. Some researchers found a positive relationship between firm size and export performance (Al-Aali, 1989;

Simmonds & Smith, 1968; Cavusgil & Naor, 1987; Christensen, Rocha & Gertner, 1987; Harcar, 1993; Reid, 1983; Rogers, 1987; Tookey, 1964), others found no relation (Amine & Cavusgil, 1986; Bilkey & Tesar, 1977; Cavusgil, 1984b; Cooper & Kleinschmidt, 1985; Hart & Tzokas, 1999) and some even found a negative relation (Ali & Swiercz, 1991; Das, 1994). Chetty and Hamilton (1993) in their meta-analysis of firm export performance studies found that out of 29 studies that addressed firm size, 17 found a positive relation, 6 found no relation and 6 found a negative relation. Aaby and Slater (1989) concluded in their review of 55 export performance studies that there is little agreement regarding the influence of size and "the most common hypothesis is that larger companies have size-related advantages that enable them to more effectively engage in export" (p. 17).

There have been many efforts to explain the divergent results of the influence of firm size on export performance. Schlegelmilch and Crook (1988) reached the following conclusion regarding firm size:

> Focusing on the impact of firm size on export intensity, a non-linear relationship was found. A possible explanation for this is that, as suggested by Hunt et al. (1967), economies of scale exist in export marketing and possibly other aspects of export operations; but above a certain size, firms may switch to foreign direct investment. (p. 296)

Moreover, Cavusgil (1976) indicated that the positive correlation between the firm size and tendency to export is not because of the size *per se*, it is because of other variables associated with size such as financial, physical, and managerial resources. Also Cavusgil (1984b), in his study of 175 American manufacturing firms, suggested that firm size should be viewed as a concomitant rather than causative factor.

There are three reasons for such a contradiction in the results. First, there is no general agreement on the definition of size (Boukersi, 1991; Miesenbock, 1988). Some have used number of employees (Cavusgil & Naor, 1987; Culpan, 1989; Kaynak & Kothari, 1984) and some have used sales volume (Ali & Swiercz, 1991; Karafakioglu, 1986). Many researchers used paid–up capital (e.g., Al-Aali, 1989), while several used a combination of measures (Eshghi, 1992; Rogers, 1987). The second reason for the contradiction in firm size studies is that within the same measure there is no standard definition for size. For example, within those who used number of employees as a measure of firm size, some considered small firms to be those with less than 250 employees (Kaynak & Kothari, 1984), whereas others consider small firms to be those with less than 100 employees (Kedia & Chhokar, 1986). The third reason is that the dependent factors (export performance measures) in these studies were not consistent; some researchers studied the export intensity, some studied the export profitability, and others studied the motives and barriers.

With regard to firm ownership, Das (1994) found that successful exporters are small, privately owned firms. The ownership variable received low attention compared to other variables. Keng and Jiuan (1989) in their study of 156 firms in Singapore, found that the majority of non-exporting firms are fully owned by local investors where exporting firms had more foreign equity participation.

The nature of exporting activity also varies across industries (Cavusgil & Zou, 1994). Since different industries have different characteristics, export performance may be influenced by the nature of the industry. Das (1994), in discriminating successful and

unsuccessful exporters, concluded that the overall nature of the industry is a significant discriminating variable. Louter, Ouwerkerk and Bakker (1991) found that "[t]he type of industry influenced export behaviour significantly as well as export success" (p. 13). Al-Aali (1995) found in his study of 58 food and chemical exporters in Saudi Arabia, that chemical and petrochemical firms are more export oriented than food firms. However, Hart and Tzokas (1999) found no significant influence of firm size on export performance between the three industries they were comparing.

The characteristics of exported product also influence the export performance of a firm (Cavusgil & Zou, 1994). Whether the product is a consumer or industrial product may create an advantage for the firm in its export venture. Das (1994) found that product type is important discriminator between successful and unsuccessful exporters. Also, he found that successful firms are those exporting consumer products. The location of the firm within the country is also an important factor in export performance (Wiedersheim-Paul, Olson, & Welch, 1978). They attributed this importance to the advantage of transportation and shipping costs and more critically to the flow of information.

Moreover, the level of technological advancement of a firm and its research and development has been suggested as a differential advantage in its export performance. The research findings are mixed about the influence of this factor on export performance. Some studies concluded positive influence (Al-Aali, 1989; Beamish & Munro, 1987; Cavusgil, 1984b; Cooper & Kleinschmidt, 1985; Reid, 1983; Walters & Samiee, 1990) and others found either a weak relation (Axinn, 1988; Cavusgil & Naor, 1987) or no relation (Harcar, 1993; Madsen, 1989).

Aaby and Slater (1989) in their review of export performance studies concluded that "[t]echnology intensiveness is consistently found to be related to propensity to export" (p. 18). Also, they found that in studies where the respondents were exporting to developed countries, technology was seen as an important advantage, whereas exporters to less developed countries found low cost to be more important. Pak (1991) found that technology intensity is critical only in the initial export decision. It motivates a firm to become involved in exporting. Once a firm is involved in exporting, the export performance is affected by other advantages.

With regard to research and development, again mixed results were found. Schlegelmilch and Crook (1988) found research and development to be a significant determinant of export intensity. However, Kirpalani and Macintosh (1980) found a negative correlation between research and development and export performance.

Cavusgil, Zou and Naidu (1993) define product uniqueness as "the degree to which the product is designed/made to satisfy unique needs or to be used for unique purposes" (p. 489). Cavusgil and Nevin (1981b) found product uniqueness to be a significant determinant of export performance. Beamish and Munro (1987) and Beamish, Craig and McLellan (1993) found a positive relation between product uniqueness and export intensity. However, Pak (1991) found that product uniqueness has an insignificant influence on export attractiveness, although he asserts that it is critical for the initial export decision. Bilkey (1982) found no significant relationship between product uniqueness and export profitability. On the other hand, Louter et al. (1991) noticed that

export intensity decreases as product uniqueness increases. Thus, results on product uniqueness are mixed and no firm conclusions can be drawn.

With regard to product quality, there is unanimous agreement on its importance as a determinant of export performance (Boukersi, 1991; Chryssochoidis, 1993). Kaynak and Kothari (1984) found that consistent quality is a major factor leading to the export success of both industrial and consumer goods. Also, it has been found that exporters with low quality products were switching from market to market because of non-repeated orders (Christensen et al., 1987).

Madsen (1989) argues that high product quality increases buyer certainty and exporter credibility. Also, he asserts that product quality is more important for export performance than for local market performance. Although there is general agreement on the positive influence of product quality on export performance, the measure of product quality is not clear. Christensen et al. (1987) measured product quality by the formality of the quality control department in the organisation structure and the education of the department head, whereas Madsen (1989) used user perception of quality as a measure.

Research on the influence of experience on export performance has revealed mixed findings. Aaby and Slater (1989) concluded that experience is an important element in export performance. Also, Dominguez and Sequeira (1993) in their study of 253 exporters from Central America concluded that export experience is associated with higher export performance. Similarly, Amine and Cavusgil (1986) found that performance improved with higher exporter experience. Katsikeas and Morgan (1994)

found that experienced exporters have fewer problems than less experienced exporters. Douglas (1993) found a positive relationship between export experience and sales volume. This positive relationship can be understood as "[i]t could be that success breeds the commitment to continue exporting thereby yielding more rapid increase in exports" (Christensen et al., 1987, p. 68). Ross (1982) pointed out that:

> The ability to penetrate foreign markets is one of the key factors accounting for the export success of the firm. ... Once the export market is penetrated, the firm can begin to build on past accomplishments, learning and gaining experience in the export marketplace. As learning takes place and as the export market becomes more familiar, export performance can improve. (p. 41)

Louter et al. (1991) found that the number of years a firm has been exporting has only a slight influence, and Katsikeas (1994) found no association between the length of exporting experience with perceived competitive advantage. Also, Keng and Jiuan (1989) found no significant difference in number of years in business between exporters and non-exporters.

In contrast to the aforementioned results, Kirpalani and Macintosh (1980) and Ursic and Czinkota (1984) found that firm age and export experience have a significant negative relationship and that young firms do better than old firms. Similarly, Das (1994) found that successful exporters were younger than unsuccessful exporters and he concluded that number of years in business is a significant discriminator between successful and unsuccessful exporters. Bilkey (1982) found a negative correlation between export experience and relative export profitability. In other words, he found experienced exporters perceive exporting as less profitable than selling in local markets.

The structure of the export activity within the exporting firm is found to be an important element in its international venture. Some firms establish a formal exporting unit/department within their organisation to handle all export activities. Other firms may handle export activity through other departments such as the sales or marketing department, or the executive management may handle it directly. Cavusgil and Zou (1994) suggest that exporting firms should institutionalise their export operations to improve their international competence and assure a consistent commitment to their export activities.

Walters and Samiee (1990) found that the existence of a formal export structure within the firm is positively associated with export performance measured by export intensity. They also found that large firms show a higher propensity to establish a formal export structure than small firms, and that the majority of small firms either contract a third party to manage their export operation or give the responsibility to the domestic marketing manager.

Bourantas and Halikias (1991) concluded that the existence of an export department is a significant discriminator between systematic and non-systematic exporters. Systematic exporters have higher export intensity. Also, Christensen et al. (1987) found that successful exporters adapt more decentralised decision-making and delegate responsibility to lower hierarchical levels. Moreover, successful exporters were found to rely more on formal control systems in monitoring their export operations (Kirpalani & Macintosh, 1980) and appreciate formal training of their management (Burton & Schlegelmilch, 1987).

3.4.2. Export Marketing Strategy

Export marketing strategy is very important for exporting firms. It represents the guidance behind pursuing the export venture and reflects the organisation's approach to internationalising their business. Many studies have related export performance to the export marketing strategy (Bilkey 1982; Christensen et al., 1987; Cooper & Kleinschmidt 1985; McGuinness & Little 1981; Rosson & Ford 1982). However, there is no one clear definition of marketing strategy (Louter et al., 1991). Cavusgil and Zou (1994) defined export marketing strategy as "the means by which a firm responds to the interplay of internal and external forces to meet the objectives of the export venture" (p. 4). There are many elements that constitute the export marketing strategy, and each element may have an influence on the export performance. Aaby and Slater (1989) in their review found that many studies suggested that export marketing strategy influences export performance, however the results are fragmented and the relationship is not clear. In many of these elements, the main consideration is whether to standardise or adapt to the export market conditions (Douglas & Craig, 1989). Thus is it is very important to review the elements constituting the export marketing strategy and the related findings in the literature.

Export marketing strategy and export marketing policy are used interchangeably in the literature. Koh (1991) found export marketing policy to be a very important variable in export performance because it governs other variables such as pricing strategy and export channel strategy. Also, Madsen (1989) concluded that variance in export growth is almost totally explained by the export policy and that it is the most important variable group.

Whether these policies are formal or informal is an essential variable in discussing export performance. Cavusgil and Nevin (1981a) found that having a formal export policy is important for export performance. It is also important to consider the initial objective of the firm when established, as there are many firms in third world countries built under import-substitute strategy whereas others were built basically to export their products. Al-Aali (1995), in his study comparing the performance of food exporters and chemical exporters, found that food exporters encounter more problems than chemical exporters. He attributed this variance to the firm's objective, as the chemical industry is more outward-oriented than the food industry in its initial development.

Pride and Ferrell (1995) define marketing planning as the "process of assessing opportunities and resources, setting objectives, defining strategies, and establishing guidelines for the marketing program" (p. 692). The same process applies to the international venture of a firm's marketing efforts. This planning activity was found to influence the export performance of a firm. Samiee and Walters (1990) found that export planning activity was associated with superior export performance in terms of export intensity and number of export markets. Also, Aaby and Slater (1989) in their review indicated that several authors found a positive relationship between formal market planning and export intensity. Bourantas and Halikias (1991) and Madsen (1989) found a significant relationship between planning and export performance.

A major element of exporting marketing strategy is the marketing mix. Marketing mix is the goal of any marketing plan or strategy, and it is "[a] combination of four major sets of variables - product, distribution, promotion, and price" (Pride & Ferrell, 1995, p. 13). Kaynak and Kothari (1983) found that the management of marketing mix elements is a very critical determinant of international marketing performance. Also, Cavusgil and Kirpalani (1993) concluded that "[a]ll marketing mix variables are obviously relevant to success" (p. 11). However, in the international marketing arena the issue of marketing mix is whether to standardize the elements or adapt them to the export market conditions. The debate on this issue has continued for more than twenty years (Cavusgil et al., 1993).

Standardisation of international marketing strategy refers to using the same product, price, distribution and promotion programme globally (Jain, 1989). On the other hand, adaptation refers to the modification of marketing mix elements to fit the export country environment. Those who argue for standardisation emphasise the trend of homogenisation of the international markets and the role of technology in homogenising the demand pattern (Cavusgil et al., 1993), and stress that standardisation will help cost savings and will lead to more competitive prices. Levitt (1983) has argued that "[t]he world's needs and desires have been irrevocably homogenised. This makes the multinational corporation obsolete and global corporation absolute" (p. 93). He said that the advancement in communication, transportation and increased travel have played a great role in homogenising the global markets and that companies have to sell high quality product at a competitive price.

On the other hand, the adaptation proponents argue that adaptation takes into consideration the differences among countries in terms of stage of economic and market development, cultures, customer values and political and legal systems (Cavusgil et al., 1993). Jain (1989) suggested a more compromising approach. He suggested that standardisation and adaptation should be regarded as two extremes of the same continuum and that there are different factors that affect the degree of standardisation or adaptation. Louter et al. (1991) claims that many academics and practitioners follow the motto "[s]tandardise what is possible, differentiate where necessary" (p.10).

Many studies indicated the positive influence of product adaptation on export performance. Cavusgil and Zou (1994) found that export performance is substantially improved with product adaptation. Katsikeas (1994) concluded that export performance is positively associated with product adaptation, while Dominguez and Sequeira (1993) noted in their study that most successful exporters adapted their products to the target market needs. Walters and Samiee (1990) found a positive relationship between product adaptation and export profitability. Donthu and Kim, (1993) and Johnson and Arunthanes (1995) concluded that product adaptation policy is positively related to export growth. Another interesting finding by Cavusgil and Kirpalani (1993) is that initial adaptation was not important, however subsequent adaptation according to market needs had a positive effect on export performance.

Contrary to these findings, Christensen et al. (1987) found in their study that successful exporters were exporting standardised products. Zou (1997) concluded that export intensity is positively and significantly influenced by product standardisation.

With regard to export profitability, Johnson and Arunthanes (1995) did not find any significant association between product adaptation and export profitability. Koh and Robicheaux (1988) found no relation between export profitability and product adaptation. Cavusgil (1983), in his study of success factors in export marketing, found that the factors that required least adaptation were packaging, physical product, and pricing.

These divergent results are not surprising in an international environment with divergent cultures and markets. These contradicting results encouraged Cavusgil et al. (1993) to investigate this subject, and the results of their research suggest that the degree of product adaptation is significantly influenced by internal and external factors. They found that:

> "... Product adaptation *upon entry* is influenced *significantly and positively* by cultural specificity of product, and *significantly but negatively* by technology orientation of industry and similarity of legal regulations. ... Product adaptation *after entry* is influenced *significantly and positively* by firm's international experience, cultural specificity of product, and competitiveness of export market, and *significantly but negatively* by technology orientation of industry and product familiarity of export customers." (p. 494)

Moreover, Cavusgil et al. (1993) noted that product adaptation after entry is higher for consumer products compared to industrial products and that product adaptation is higher when the product is exported to a single market compared with a product exported to multiple markets at the same time.

Price competitiveness and flexibility are important variables in export marketing ventures. Although there are many pricing methods, the issue is whether price adaptation influences export marketing performance. Many studies indicated a significant relationship between pricing and export performance (Kirpalani & Macintosh, 1980; Katsikeas, 1994; Koh, 1991). Dominguez and Sequeira (1993), in their review of studies on export performance, found that most of the studies associated better export performance with low and competitive prices. Christensen et al. (1987) found that successful exporters rely on internationally competitive prices and do not demand premiums for exchange or extraordinary risks.

On the other hand, some researchers found a weak relationship between price competitiveness and export performance (Cavusgil & Zou, 1994; Madsen, 1989; Cavusgil & Kaynak; 1982). Other researchers found that successful exporters charge higher export prices than local market prices (Koh & Robicheaux, 1988; Das, 1994). The last finding could be justified. Das conducted his study in India on 58 manufacturing firms where the per capita income is low, and the successful exporters were exporting to developed countries and charging higher prices. The other study by Koh and Robicheaux, (1988) was conducted in the U.S.A. on industrial products manufacturers, and found that exporters perceived better performance if they export directly to end-users and charge higher prices. The difference in distribution channel explains the higher price.

Pride and Ferrell (1995) define promotion as "communication with individuals, groups, or organizations to directly or indirectly facilitate exchanges by informing and persuading one or more audiences to accept an organization's products" (p. 510). Again,

the debate in export marketing is whether to standardize the promotion programmes internationally or modify them according to the export market environment. Standardisation of advertisement programmes was one of the earlier topics researched in the field of international marketing (Cavusgil et al., 1993).

Those who call for adaptation argue that the export markets are different in religion, language, customs, development stage, and media availability, and that a promotional programme should be adapted to meet the target market environment. Kirpalani and Macintosh (1980) found a strong positive association between promotional effort and export success. Cavusgil (1983) in his research on successful factors in export marketing found promotion to be one of the variables that needed most modification to suit the foreign market.

On the other hand, Cavusgil and Zou (1994) found a moderate and inverse relationship between promotion adaptation and export performance. This means that adapting promotional activities to the export market could effect the export performance negatively. Cavusgil et al. (1993) noted that:

> ... [A]daptation of promotional approach is influenced significantly and positively by a firm's international experience, product uniqueness, cultural specificity of product, and competitiveness of export market, and significantly but negatively by technology orientation of industry and product familiarity of export customers. (p. 496)

Distribution refers to the activities through which products are made available to the customer when and where they want to buy them (Pride & Ferrell, 1995). And the

channel of distribution refers to "A group of individuals or organizations directing products from producers to customers" (Pride & Ferrell, 1995, p. 390). In international marketing there is a great number of intermediaries that can be used which create an unlimited number of combinations of distribution arrangements. In light of this, Brady and Bearden (1979) classified distribution as direct or indirect. Direct exporting is when the seller/producer sells to an intermediary or final user in the foreign market and indirect exporting is when he negotiates with an intermediary located in the home country.

Aaby and Slater (1989) in their review found fifteen studies that associate export propensity to the management perception of distribution importance. Moreover, they noted that all these studies confirmed that management perceived distribution as a success factor in export performance. Many studies have emphasized the importance of distribution and the positive relationship with export performance (Cavusgil, 1983; Cavusgil & Zou, 1994; Cavusgil & Kirpalani, 1993; Koh, 1991; Madsen, 1989). Which distribution channel is better is an unresolved issue. Koh and Robicheaux (1988) found that exporters perceive better performance when they sell directly to the final customer (their sample consisted of industrial products exporters). However, Christensen et al. (1987) found indirect exporting associated with higher performance. On the other hand, Munro and Beamish (1987) concluded on their study of Canadian exporters that the type of export channel does not significantly influence export performance.

Brady and Bearden (1979) found that there is a high tendency for exporters to start with indirect distribution and then switch to the direct method as their experience increases. Also, Cavusgil (1976) noted that a firm uses the indirect method when exports

are marginal to the firm business, then the firm switches to direct method as exports reach a certain level. However, the choice of channel depends on the following factors: "(1) resources and experience of the firm, (2) nature of the product, (3) scope and complexity of the distribution task, and (4) availability of intermediaries in foreign markets" (Cavusgil, 1976, p. 64).

Marketing research refers to "the systematic design, collection, interpretation, and reporting of information to help marketers solve specific problems or take advantage of marketing opportunities" (Pride & Ferrell, 1995, p. 137). Although there is a lot of free and easily accessible information, many firms enter export markets on an almost impulsive basis without taking advantage of this information which could save time and money (Lee & Brasch, 1978).

The research findings on the relationship between market research and export performance are mixed (Boukersi, 1991; Douglas, 1993). Many researchers found that firms which conducted market research were more successful than those who did not (Aaby & Slater, 1989; Dominguez & Sequeira, 1993; Christensen et al., 1987; Hart & Tzokas, 1999). For example, Christensen, et al. (1987) found that successful exporters were using market studies prior to foreign market entry three times more than were ex-exporters. However, other scholars found no significant relationship between market research and export performance (Amine & Cavusgil, 1986; Diamantopoulos & Inglis, 1988; Madsen, 1989). Dominguez and Sequeira (1993) found high intensity exporters to be conducting extensive formal research.

With regard to the number of products exported, Christensen et al. (1987) found that successful exporters were more diversified in terms of number of products exported than ex-exporters. Also, Diamantopoulos and Inglis (1988) found exporters with multiple product lines to be more successful. Beamish and Munro (1987) and Beamish et al. (1993) found that export intensity positively correlates with a wider product line. However, contrary to these findings, Kirpalani and Macintosh (1980) found that firms with one or only a few products are more successful than those with a wider product range. Chryssochoidis (1993) found that higher export volumes are associated with a narrower product range.

It seems that there is no clear cut consensus on whether to concentrate or diversify; it all depends on the company resources and risk spreading strategy (Dominguez & Sequeira, 1993). It could be that firms exporting multiple products are selling little of each and acquiring a small market share in different foreign markets and that the total represents a large proportion of their total sales. On the other hand, those firms who concentrate on and sell fewer products can consolidate their resources and effectively introduce, promote and monitor their products in the foreign markets, which could lead to a better market share and better performance.

As with number of products exported, there is a considerable debate on whether export market concentration or diversification is positively associated with export performance. The results are mixed, there is no consensus and even contradicting results (Dominguez & Sequeira, 1993, Lee & Yang, 1991). There is no support to claim that one strategy is universally superior to the other (Piercy, 1981c).

Diamantopoulos and Inglis (1988) found that high-involvement exporters were more diversified compared with low-involvement exporters. Similarly, Lee and Yang (1991) found that exporters adapting market diversification strategy show a high export level compared to those who adopt market concentration strategy. However, their findings showed no support for a relationship between either strategy with either export growth or export profitability. Cooper and Kleinschmidt (1985) concluded that world marketers (exporting to many countries) achieved higher export intensity and export growth in comparison with those exporting to few countries.

Madsen (1989) suggested that a market concentration strategy may be associated with better export performance and that firms should seek to exploit already-covered markets instead of spreading their activities over a wide range of markets. However, he suggested that small firms might perform better by diversifying their export markets, arguing that small firms may not have the required resources to implement a successful concentration strategy. Other researchers found no association between number of markets and export performance (Beamish & Munro, 1987; Piercy, 1981b & 1982). A situational approach has been suggested by Piercy (1982), who argued that market diversification or concentration strategy depends on situational factors such as product type, market, company, and other marketing factors.

The relationship between an exporting firm and its foreign customers is essential in developing any export venture. This includes for example after-sales services, technical support, face-to-face contact, etc. Cunningham and Spigel (1971) and Moini

(1995) found that personal visits of the company executives to their overseas clients represented an important factor for successful exporters. Similarly, Beamish et al. (1993) found that firms that meet frequently with their representatives realise greater export intensity and profitability. They also found a positive link between the firm's attention to customer service and both export intensity and export profitability. Kaynak and Kothari (1984) concluded that after-sales services are a significant element contributing to success in exporting for both consumer and industrial products. Amine and Cavusgil (1986) found that personal contacts and visits to foreign distributors are an important element in export performance.

On the other hand, Koh and Robicheaux (1988), in their study of 277 exporters of industrial products, found no significant relationship between export profitability and frequency of face-to-face contact with distributors or with level of dealer support. It is clear that strong support and a solid relationship with the foreign distributor will enhance the export performance (Cavusgil & Zou, 1994), however this may not lead to better export profitability as the latter depends on other variables.

Gomez-Mejia (1988) and Moini (1995) found that successful exporters systematically explore export opportunities. There are many tools a firm can use to explore foreign markets and secure new orders. Trade shows, trade missions, advertisements in specialist magazines and export directories, and mail correspondence are some examples. In the literature the element that has been most investigated is unsolicited orders and their influence on a firm's export performance (Johnston & Czinkota, 1985).

Previous studies found that active or aggressive exporters seek their orders, while passive or reactive exporters wait to receive unsolicited orders. Cavusgil (1983) found that the receipt of an unsolicited order is a primary reason for starting exporting. Similarly, Kaynak and Kothari (1984) and Karafakioglu (1986) found it to be the second most important stimulus to export. Furthermore, the receipt of an unsolicited order has been found to be important for export initiation as a firm needs to start its internationalisation process; however, Katsikeas (1996) concluded that the receipt of an unsolicited order is also important for active exporters to stimulate their current export decisions. On the other hand, Weaver and Pak (1990) indicated that almost half the respondents in their survey reported that an unsolicited order has no importance in their export involvement.

With regard to tradeshows, Cavusgil (1983) pointed out the usefulness of participation in trade shows to export marketing activity. Bello and Barksdale (1986) described many advantages available to exporters who participate in trade shows. In a trade show, the exporter will meet qualified buyers predisposed toward the exhibitor's message and will be able to make hundreds of contacts in a few days. Also, the trade show will facilitate selling as attendees can compare different offers, ask questions, and negotiate. Few studies have investigated the influence of trade show participation on export performance. Axinn (1988) and Denis and Depelteau (1985) concluded that participation in trade shows and missions was important and has been associated with higher export intensity. Burton and Schlegelmilch (1987) found profitable exporting to be associated with participation in international trade fairs.

A new revolutionary approach to international marketing is the utilisation of the Internet. A well designed Web site on the Internet can disseminate useful company and product-specific information to customers all over the world, it can be used for advertising, corporate visibility, brand name recognition, public relations, press releases, direct sales, customer support and technical assistance (Hamill, 1997). The importance of Internet utilisation as a tool to explore international opportunities and secure new markets is growing as the number of users grows.

The last variable in the export strategy is the degree of management control systems to monitor the performance of export activities. It was found that successful exporters rely on formal control systems to monitor performance in export markets (Aaby & Slater, 1989). Madsen (1989) found that close monitoring of export market changes positively influences export performance measured by export growth. Kirpalani and Macintosh (1980) concluded that effective export control is the most important factor of export success.

3.4.3. Management Quality

The one element in export performance studies that has received general consensus among researchers regarding its importance, is management quality. Almost all studies in this field have emphasised the importance and association of management quality with export performance. Aaby and Slater (1989) in their review of 55 studies on export performance concluded that " ... unless management has international vision,

consistent export goals, favourable perceptions and attitudes towards export, is willing to take risks and is capable of engaging positively in export activities, a firm is not likely to become a successful exporter" (p. 21). Bilkey (1978) found that management quality is the greatest single variable leading to firms' success in exporting. Das (1994) found that managerial variables were significant elements in discriminating between successful and unsuccessful exporters. Katsikeas' (1996) findings also emphasised the great importance of management qualities in driving the export decision-making process of the firm. Reid (1983) found that managerial quality has been significant in explaining export entry but has little association with continuing to export.

Managers are the decision makers within the firm and their decisions are responsible for the firm's success or failure in the international markets. Their decisions are influenced by their own personal characteristics (Ross, 1982). Although different terms have been used in the literature to describe management quality, basically it includes management characteristics, aspirations, expectations and commitment (Boukersi, 1991). Next, we will review each of the four elements of management quality.

Many researchers have studied management characteristics and attempted to relate them to export performance (Cavusgil, 1976; Cavusgil & Naor, 1987; Das, 1994; Harcar, 1993; Keng & Jiuan, 1989; Pak, 1991; Rogers, 1987; Schlegelmilch & Crook, 1988). The characteristics include the manager's age, education, experience, foreign language proficiency and frequency of travel abroad.

Rogers (1987) concluded that manager's age, education, and extent of travel are important determinants of the firm's initial export involvement and subsequent export activity performance. Pak (1991) found that manager's age and frequency of travel positively affected the export attractiveness, education has no effect, and interestingly foreign language proficiency has a negative effect. His findings regarding language proficiency can be related to the nature of his sample as his study was conducted on US manufacturers where their native language is English – the international business language. Cheong and Chong (1988), in their study of Singaporean firms, found that managers in exporting firms have better foreign language skills. Harcar (1993), in comparing Turkish exporters and non-exporters, found that managers of exporting firms have better foreign language skills. However, with regard to manager's age, he found no significant association.

Keng and Jiuan (1989) concluded that the higher the manager's level of education the higher the export involvement of the firm. Also, Koh (1991) related export performance to the educational background in international marketing of the top export executive. Cheong and Chong (1988) found that managers of exporting firms have higher education than non-exporting firms. However, Gray (1997) concluded that managers' education has no significant influence on performance.

Das (1994) found export intensity to have a positive relationship with the number of years a manager has been in his position and negatively with his exporting experience. However, Harcar (1993) found that managers of exporting firms have more international experience than do those of non-exporting firms. Other researchers reached a similar

conclusion (Axinn, 1988; Pak, 1991). It could be that favourable international experience may lead to favourable expectations about exporting and more commitment (Harcar, 1993), however the exact nature and direction of the relationship is unknown (Axinn, 1988).

Many studies have related and emphasised the importance of the decision maker's preferences, motives, and aspirations for business goals on the export performance of the firm (Cavusgil, 1976; Cavusgil, 1984b; Harcar, 1993). Simmonds and Smith (1968) found amongst innovative exporters the characteristic of 'enterprise' which refers to a high degree of risk taking, aggressive drive, and profit motivation. The element of aspiration has been discussed in the literature using different definitions and measures. Cavusgil (1984b) concluded the following:

> Regardless of variations in definition, the implication is that the decision-maker's preferences for organizational goals, or the importance he places on the achievement of each goal, is a direct determinant of his decision-making behaviour. The empirical studies support this expectation by revealing a strong relationship between export behaviour and the level of managerial aspirations for profits, growth, and risk-taking. (p. 8)

Cavusgil (1976 & 1984b) classified decision-maker aspirations into three types: aspirations for profits, aspirations for growth, and aspirations for investment security. The research findings regarding association of these aspirations with export performance are mixed. Cavusgil (1976) found that exporting is improved by stronger managerial aspirations for growth and hindered by stronger aspirations for risk-taking. He also found (1984b) that aspirations for profit and aspirations for growth are highly correlated, but bear no relation to export activity. His findings confirmed the importance of aspirations

for risk-taking as an important predictor of export activity. Cavusgil concluded that managers who are security oriented are associated with firms that have low export intensity.

Contrary to the above, Rogers (1987) found that management aspirations are negatively related to export intensity and he concluded that management goals and aspirations may be important for initial involvement in exporting but not for subsequent export performance. Roy and Simpson (1981) found that risk is not a critical factor in the export decision process and Schlegelmilch and Crook (1988) found that management attitudes are not significant determinants of export intensity.

These findings explain the gradual and evolutionary approach in export behaviour (Ross, 1982). Aspirations and goals are important to encourage management involvement in export activity and as they acquire experience they perceive less risk in exporting.

Another important aspect that has been emphasised by many researchers in microeconomic theory and the theory of the firm is management expectations of business behaviour (Bilkey, 1978; Cavusgil, 1976). Expectations reflect decision-makers' past experiences, present knowledge, and their perceptions of future events (Cavusgil, 1976; Rogers, 1987).

Aaby and Slater (1989), in their review of export performance studies, concluded that management expectations form one of the most important elements of export

performance and that firms where managers had realistic and ambitious expectations regarding exporting had higher exports than firms without these expectations. Many findings supported the positive relationship between favourable management expectations of exporting and export performance (Al-Aali, 1989; Axinn, 1988; Cavusgil, 1976; Cavusgil, Bilkey & Tesar, 1979; Johnston & Czinkota, 1985; Rogers, 1987). Cavusgil (1976) argues that management expectations are more critical for non-exporting firms, however Diamantopoulos and Inglis (1988) claim that there is a consensus on the importance of these expectations for both export initiation and export success.

Rogers (1987) found a low but positive correlation between expectations and export intensity. Bourantas and Halikias (1991) found higher export intensity to be associated with managers' positive expectations about exporting's effect on the firm's growth. Similarly, Gomez-Mejia (1988) found export performance to be positively associated with management export profitability expectations and negatively with risk-avoidance orientation.

Managers tend to form expectations about export growth, profitability, and risk. These expectations motivate or hinder the decision-maker in export involvement. It is possible that favourable expectations are important at the initial stage of exporting when resources must be allocated and risk must be accepted. The subsequent export activities will be built on the initial experience and more commitment will develop with positive experience. It is also possible that favourable expectations are a result of greater export activity rather than a cause of greater export activity (Cavusgil, 1984b).

Management aspirations and expectations were hypothesised to lead to more commitment. Management commitment refers to the amount of resources management places into the export marketing efforts (Cavusgil, 1984b; Cavusgil & Nevin, 1981a; Ross, 1982). And there is a general consensus in export performance that management commitment is positively related to export performance of the firm (Aaby & Slater, 1989; Cavusgil, 1984b; Donthu & Kim, 1993; Douglas, 1993; Walters & Samiee, 1990). Aaby and Slater (1989) in their review of export performance studies found that all studies conclude a positive relationship between management commitment and propensity to export.

Cavusgil and Zou (1994) found that export performance is enhanced when management is committed, modifies its products to meet export market needs, and provides strong support to its international customers. Cavusgil and Kirpalani (1993), in their study of 130 cases in international product entry in industrialised countries, concluded that management commitment is an essential determinant of long-term success. Dominguez and Sequeira (1993), in their study of 253 exporting firms from Central America (less developed countries), concluded that management commitment was a major determinant of export success. Cavusgil and Nevin (1981a) found that lack of management commitment has a negative influence on export performance. Rogers (1987) in conducting a study on 193 manufacturing firms in Trinidad found that management commitment is one of the most significant determinants of firms' export performance.

Cavusgil (1976) argues that top management commitment leads to allocation of financial and managerial resources to export, gather, and adapt export activity in their organisational structure. It also leads to the modification of firms' marketing mix for foreign market requirement. Beamish and Munro (1987) and Beamish et al. (1993) found that the higher the proportion of the firm president's time devoted to exporting the higher the export intensity.

3.4.4. Local Market Environment

Local market size, competitiveness, growth, and profitability are important factors for the firm's decision concerning export involvement and expectations. These elements can be either incentives or obstacles (Pak, 1991). Pak found an adverse condition of the local market environment to have a positive effect on the attractiveness of exporting. Schlegelmilch and Crook (1988) in their study of UK exporting firms found a significant negative relationship between export intensity and domestic market growth and concluded that a saturated local market is a primary motive for exporting regardless of the degree of domestic market penetration. Madsen (1989), in his study of Danish exporters, found a negative association between local market attractiveness and export sales. Sullivan and Bauerschmidt (1988) and Karafakioglu (1986) found decreasing opportunities in the local market to be essential motives in export involvement. Kaynak and Kothari (1983) found that the most important stimulus to export was the existence of better opportunities in foreign markets.

Contrary to the above findings, Cooper and Kleinschmidt (1985) reported a positive association between domestic market potential and export intensity. Similarly, Rogers (1987) found growth and stability of the domestic market to be positively associated with export performance.

With regard to the market size, Cavusgil (1984b) in explaining the low percentage of American firms who are involved in exporting, suggested that it could be the large size of the American market that has deterred them from seeking new markets abroad. Rabino (1980) and Kaynak and Kothari (1983) found the large US market to be a barrier to exporting. Bell (1997) found that a small local market size is a very important stimulus for firms to involve in exporting. This means that manufacturers in countries that have limited market size will be more motivated to explore foreign opportunities and involve in exporting. In addition, Madsen (1989) found high profit potential in the local market to be negatively related with export intensity.

Local market conditions can influence a firm's decision to export as export literature indicates. Increasing competition and lack of demand in the local market would motivate firms to start exporting and look for larger and more profitable markets for their products. On the other hand, the export performance will be influenced by other factors such as management commitment and marketing strategy. However, we shall examine whether the same factors which were responsible for exports can still have an effect on export performance.

3.4.5. National Level Environment

Many factors at the national level are considered to influence the export performance of a firm. These factors are sometimes referred to in export performance as obstacles or barriers to export. They include government policy, export promotion programmes and incentives, transportation availability and cost, export procedures, financial institutions, fiscal variables such as currency stability and strength, and the availability of export intermediaries. Although such factors have received little attention in the export performance literature, many scholars have studied government assistance and promotion programmes.

Government actions can either promote or inhibit the export activity; they include provision of information on foreign markets, export financing schemes, tax incentives, exchange rate controls, and export policy (Douglas, 1993). Moreover, it is expected that government export promotion efforts will help and motivate manufacturers to become involved and succeed in exporting. Export promotion programmes differ extensively between countries and they refer to "... all public policy measures capable of enhancing exporting activities" (Boukersi, 1991, p. 48). Naidu et al. (1997) classified these programmes into five categories: export information and advice, production planning and support, marketing support, finance and guarantees, and education and training.

The positive influence of government assistance programmes has been supported by a few studies. Weaver and Pak (1990), researching the export performance of Korean firms, found that aggressive promotion efforts by government have created a positive attitude toward exporting. The evidence of successful export promotion strategies is

notable in countries such as South Korea, Hong Kong, Singapore, and Taiwan (Naidu et al., 1997; Park & Prime, 1997)

Contrary to expectations, many studies pointed out that government assistance and promotion efforts have little or no influence on export performance. Dominguez and Sequeira (1993) in their study on firms from five countries in Central America concluded that export incentives had a minor influence on export performance. Pak (1991) found no significant relationship between government assistance and export performance. Christensen et al. (1987) found information supplied by government to be less effective and that successful exporters did not rely on it; there was no correlation between performance in exporting and government export incentives. Karafakioglu (1986) pointed out that export incentives are not perceived as important factors in export initiation. Interestingly, Douglas (1993) found government financial assistance to be negatively associated with performance.

Douglas (1993) argued that there is a difference in the export promotion role between developed countries and developing countries, and that firms in developing countries are more in need of these programmes than firms in developed countries. Also, she pointed out that the experience of firms in developing countries is complex and they are in their early stages of internationalisation and may be introducing products that are in the mature stages in western markets.

The availability and cost of transportation and shipping, financial institutions, and stable currency are other factors that are discussed in the literature to influence export

performance. Al-Aali (1995), in his study of obstacles facing Saudi Arabian exporters, found a wide fluctuation in exchange rate to be one of the most important obstacles. Also, he pointed out that high cost of transportation and shipping is another important obstacle. Pak (1991) emphasised the importance of the currency exchange rate to motivate or hinder exporters. He found that when the currency's value declines, the cost of exports becomes less expensive, thus motivating exporters to initiate export activities. With regard to the availability of financial institutions to support export transactions and guarantee international transactions, Bilkey (1978) found insufficient finance to be a serious obstacle for U.S. firms. Weaver and Pak (1990) emphasise the important and critical role of Korean general trading companies as a driving force in Korean exports growth.

3.4.6. Foreign Market Environment

There is general agreement in the literature about the importance and influence of foreign market characteristics on the export performance of a firm. Export market conditions can pose both opportunities and threats for exporters and they affect the choice of marketing strategy (Cavusgil & Zou, 1994). Market size, attractiveness, proximity, stage of development, cultural similarities, and governmental and legal requirements are just a few elements of the characteristics of an export market. The variables that are related to foreign market environment are very diverse and complex, they vary from country to country and depend on the industry and type of product exported (Pak, 1991).

Johanson and Vahlne (1977) defined the psychic distance to be the factors preventing the flow of information from and to the market. Boukersi (1991) found the market distance expressed by psychological or physical distance to have a negative influence on export performance. The Uppsala School argue that firms start exporting to the countries that are more psychologically close, then they expand to the countries that are more distant (Wiedersheim-Paul et al., 1975). Cavusgil (1976) found market proximity to be an important factor in export involvement. Al-Aali (1995) indicated that three-fourths of Saudi Arabian exports go to Arab countries that are psychologically and physically close. Interestingly, successful exporters were found to export to distant countries rather than close markets. Cooper and Kleinschmidt (1985), Denis and Depelteau (1985), and Diamantopoulos (1988) concluded that wider market coverage was associated with better export performance.

In studying the influence of export destination, many researchers found successful exporters to be exporting to developed countries rather than developing countries. Christensen et al. (1987), in their study of Brazilian exporters, found that successful exporters were exporting to developed countries while ex-exporters were targeting less developed countries. Das (1994), investigating Indians exporters reached a similar conclusion. He also found that export destination was a significant discriminator between successful and unsuccessful exporters. Dominguez and Sequeira (1993) pointed out similar results in their study on firms from Central America.

Although all of the studies mentioned above were concerned with exporters from developing counties, there was a study that concluded similar results on exporters from a developed country. Dennis and Depelteau (1985) studying Canadian firms found slow growth exporters to be concentrating on less developed countries.

Regarding other elements of export destination, Kaynak and Kothari (1983) found that both American and Canadian exporters perceived governmental barriers of target market to be the most important problem to be overcome. Bilkey (1978) found that the critical obstacles to exporting perceived by U.S. firms are: insufficient finances, foreign government restrictions, insufficient knowledge about foreign selling opportunities, inadequate product distribution abroad, and a lack of foreign market connections.

3.5. Summary

In this chapter, the theoretical and empirical literature related to the firm's export performance was presented. The interest in firms' export performance began in the early 1960s and since then a substantial literature has accumulated on the subject. There were serious efforts to consolidate and integrate empirical export research into a consistent conceptual structure. However, no comprehensive or widely accepted theory has yet emerged that integrates the literature findings and explains the firm's export expansion behaviour (Leonidou & Katsikeas, 1996). This is due to the multidimensional, complex and dynamic nature of a firm's export performance.

Both objective and subjective measures of firms' export performance were discussed. The three widely used measures of export performance, export intensity, export sales growth, and export profitability, were presented. Other measures were described and endeavours to develop multi-dimensional measures were presented. Unfortunately, finding a generally valid and acceptable export performance measure is impossible or at least may not be possible in the near foreseeable future (Madsen, 1998).

Factors influencing firms' export performance were discussed. There is no unanimous agreement on the existence or the influence of certain factors on export performance. Gemunden (1991) in his review of fifty export related empirical studies identified more than 700 factors. The chapter has presented the literature on widely studied factors and compared the different findings. These factors were classified under six categories; firms' differential advantages, export marketing strategy, management quality, local market environment, national environment, and foreign market environment.

Based on the literature review presented in this chapter, the next chapter presents the research model and hypotheses. It also outlines the methodology through which the research hypotheses are tested.

CHAPTER FOUR
RESEARCH FRAMEWORK AND METHODOLOGY

4.1. Introduction

This chapter presents the research framework and methodology designed to determine factors that influence export performances. The review of export literature presented in Chapter 3 revealed that firms' export performance is the result of a complex interaction of a variety of internal and external factors. It also described both subjective and objective measures utilised in previous research to judge export performance.

The rest of the chapter is structured as follows. Section 4.2 presents and discusses a proposed model for factors influencing firms' export performance. Then, Section 4.3 covers the research hypotheses drawn from the model. It presents six main hypotheses followed by related sub-hypotheses. The export performance measures utilised in this study are presented in Section 4.4 and the rationale for using them will be discussed. Section 4.5 outlines the research design and discusses the data collection technique. Section 4.6 covers the questionnaire development. It discusses the stages through which the questionnaire was developed and will explain the considerations and techniques used to increase the response rate. The study sample is discussed in Section 4.7. Section 4.8 describes the validity and reliability of the data collection instrument.

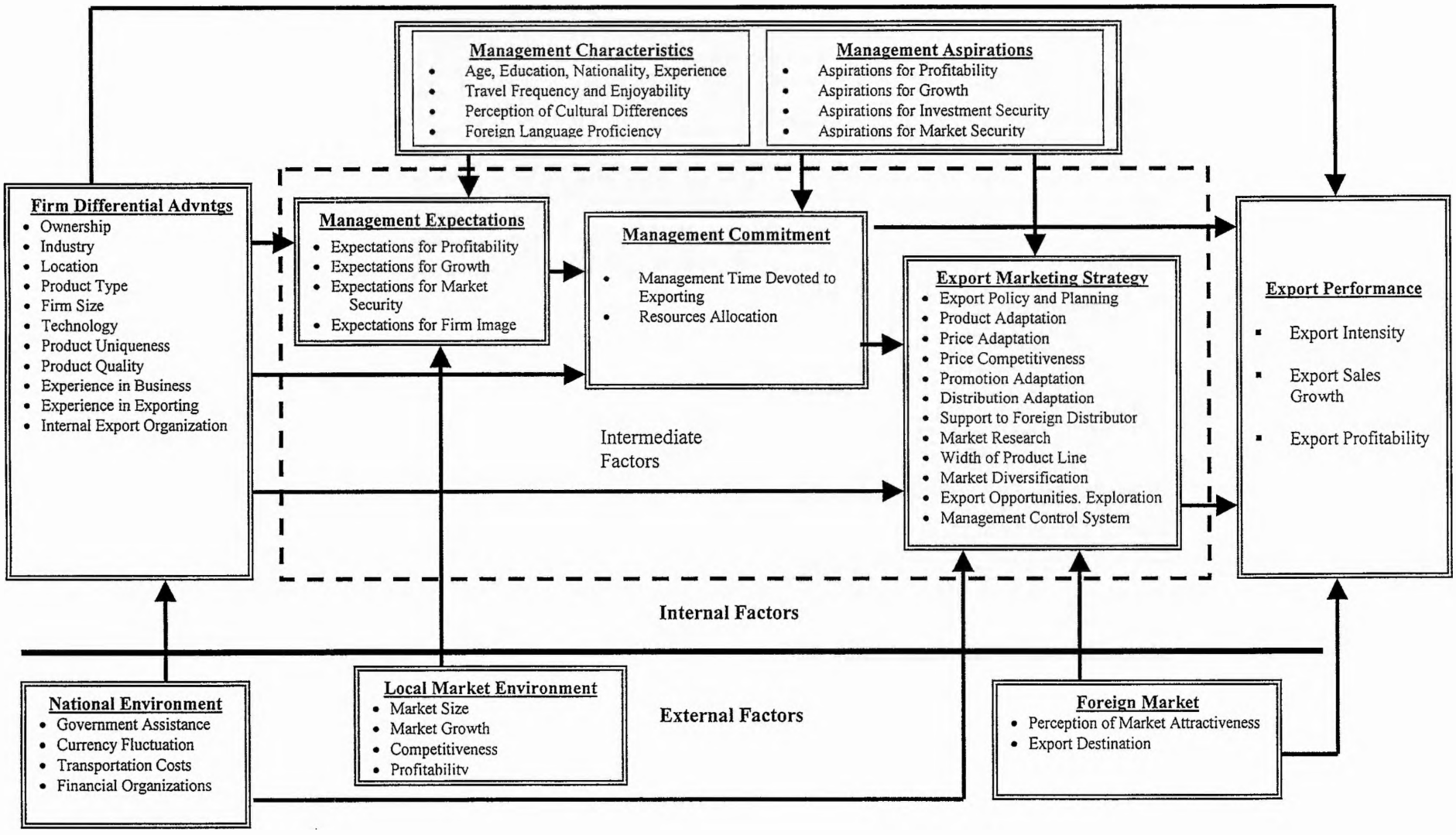
4.2. Export Performance Model

Based on the literature review discussed in chapter three, factors influencing export performance were classified into six major groups: three external and three internal. The external factors are beyond the firms' control and are called environmental factors. These factors represent local market environment, national level environment, and foreign market environment. On the other hand, internal variables are classified into three groups: firm differential advantages, export marketing strategy, and management quality.

The hypothesised relation between the different variables and export performance is represented in Figure 4-1. The developed model for factors influencing export performance was based on the work of many scholars (Aaby & Slater, 1989; Cavusgil, 1976; Cavusgil & Nevin, 1981a; Cavusgil & Zou, 1994; Douglas, 1993; Gemunden, 1991; Holzmuller & Stottinger, 1996; Louter et al., 1991; Naidu & Prasad, 1994; Schlegelmilch & Crook, 1988; Styles & Amber, 1994; Walters & Samiee, 1990).

The environmental variables were classified into three groups. The local market variables include local market size, growth, competitiveness, and profitability. These variables are hypothesised to influence the manager's expectations about export performance. A small competitive local market would stimulate a manager's expectations about the outcome of exporting to other countries. Similarly, a low profit local market would lead the manager to look for a more profitable export market.

Figure 4-1 A Model for Factors Influencing Export Performance



The national variables were hypothesised to influence both the firm's differential advantages and export marketing strategy either positively or negatively. For example, government assistance could play a very important role in helping firms succeed in exporting through different export promotion programmes. Similarly, low transportation costs may give an advantage to a firm in an export market. Some countries are located along the international shipping lines or have a large volume of international trade and this results in lower shipping costs. On the other hand, shipping from some countries may be costly and goods have to be shipped via other countries to reach its destination. The national currency exchange rate may be an essential element in export performance as a lower exchange rate makes exported goods less expensive and vice versa. Finally, the availability of financial institutions which finance and guarantee export transactions helps exporting firms provide attractive credit terms and minimise their risk.

The foreign market variables were hypothesised to influence the export performance directly (Styles & Amber, 1994) and indirectly through export strategy. Export market characteristics such as size, development, or competitiveness influence the export performance of a firm either positively or negatively. Exporting to a large market may result in higher export volumes, however if the market is very competitive it may lead to lower profitability. The availability of trade agreements that lower trade barriers and facilitate the movement of goods between countries is expected to lead to better export performance. Also, foreign market variables influence export marketing strategy. They influence product adaptation, promotion adaptation, price adaptation, and distribution adaptation.

Internal variables, on the other hand, were classified into three groups: firm differential advantages, export marketing strategy, and management quality. The firm's differential advantages are those unique variables that an individual firm possesses over other firms (Pak, 1991). These variables either already exist within the firm such as industry, location, and ownership, or are developed with time and give advantage to the firm, such as quality and experience. These variables were hypothesised to influence export performance directly and through export marketing strategy (Aaby & Slater, 1989), management expectations, and management commitment (Cavusgil & Nevin, 1981a).

Export marketing strategy represents the means whereby a firm pursues its export activities to achieve its export venture objectives. It was hypothesised to reflect the management aspirations and commitment and the firm's competitive advantages (Aaby & Slater, 1989; Styles & Amber, 1994). The hypothesis also took into consideration foreign market conditions such as cultural differences and competitiveness. Moreover, export marketing strategy is likely to take advantage of any government assistance programmes or financial support and considers the availability of transportation and shipping means and cost.

The third group of internal variables is management quality, which is further grouped into four subgroups: management characteristics, aspirations, expectations, and commitment. Management characteristics reflect variables such as age, education, experience, and language proficiency. Management aspirations reflect managers' business goals, motives, and behaviour. Management characteristics and aspirations are

viewed as differential advantages of management and were hypothesised to influence export performance through influencing management expectations and commitment (Cavusgil & Nevin, 1981) and export marketing strategy (Styles & Amber, 1994).

Management expectations reflect management perceptions about the outcome of export marketing activities (Cavusgil, 1976). Management characteristics and aspirations, firms' differential advantages and local market conditions are predicted to influence these expectations. Also, management expectations were hypothesised to influence export performance through influencing management commitment. Management commitment refers to the amount of resources allocated and management actions to pursue export marketing efforts. It is hypothesised that the higher the commitment the better the export performance. Management commitment is a reflection of management aspirations and expectations and firms' differential advantages.

The model shows three groups of variables as intermediate or intervening variables in the middle of the diagram, they are surrounded by a dashed box. These variables seem not to operate at the same stage in the causal process with the other variables (Cavusgil & Nevin, 1981a). Other internal variables are considered background variables and serve as antecedents and are less subject to change in the short term whereas the intervening variables are more dynamic and liable to change in the short term (Cavusgil & Nevin, 1981a). Other causal relationships between variables can be hypothesised, however they remain as tentative proposals and require special longitudinal studies to examine their validity. At this stage, it is beyond the research scope to test any causal relationships between the variables and the present study is

limited to the direct influence of the pre-mentioned variables and export performance. Also, the model did not include any inverse or learning relations that may exist which may be represented by a reverse arrow. Such relations may result with time and influence antecedent variables. For example, successful export performance may increase management commitment and positively influence export marketing strategy.

4.3. Research Hypotheses

The objective of this research is to determine the internal and external factors influencing the performance of an exporting firm and what factors lead to better export performance. In the previous section, the research model was presented and discussed. Based on the model and the literature review discussed in the previous chapter, the following six main hypotheses are developed:

H_1 Export performance is influenced by firms' differential advantages.

H_2 Export performance is influenced by export marketing strategy.

H_3 Export performance is influenced by management quality.

H_4 Export performance is influenced by domestic market environment.

H_5 Export performance is influenced by national environment.

H_6 Export performance is influenced by foreign market environment.

Each of these main hypotheses will be discussed and related sub-hypotheses will be developed.

4.3.1. H_1 Firms' Differential Advantages

As discussed in the literature review, many variables related to firms' differential advantages were found to influence export performance. Das (1994) found successful exporters to be privately owned firms and Keng and Jiuan (1989) found non-exporters to be fully locally owned. The following hypothesis is proposed:

$H_{1.1}$ Export performance is influenced by firms' ownership type

Some industries may possess an advantage over other industries. Many studies have indicated that the nature of exporting activity varies across industries (Cavusgil & Zou, 1994; Louter et al., 1991) and that certain industries are more successful than others. For example, Al-Aali (1995) found chemical and petrochemical firms to be more export-oriented than food firms. The following hypothesis is proposed:

$H_{1.2}$ Export performance is influenced by type of industry

Moreover, the location of the firm within the country may have an influence on the firm's export performance. Saudi Arabia covers a very large area (2.25 million sq. km) and firms are located in the Eastern, Western, or Central region. It is hypothesised that the location of a firm within the country influences its export performance. The Western region is close to Africa and Europe whereas the Eastern region is close to the GCC countries and the Far East. The following hypothesis is proposed:

$H_{1.3}$ Export performance is influenced by firms' geographical location

As the type of industry influences export performance, the product type was also found to influence export performance. For example, Das (1994) found that successful exporters export consumer products. The following hypothesis is proposed:

$H_{1.4}$ Export performance is influenced by product type

Firm size is one of the variables that have been extensively investigated in the literature of export behaviour, but researchers have not yet reached a firm conclusion regarding its impact. Some found a positive relationship, some found a negative relationship, and some found no relationship. Other researchers indicated a non-linear relationship (Cavusgil, 1976). However, the most common conclusion is that larger firms have advantages that enable them to be more effectively involved in exporting (Aaby & Slater, 1989). The following hypothesis is proposed:

$H_{1.5}$ The larger the size of the firm, the better its export performance

There are different measures that have been used in previous studies, and within those measures there is no consensus on the definition of small or large firms. Some researchers used number of employees, some used sales volume, and others used total investment. According to Miesenbock (1988), the most often used measure of size is the number of employees. It is important to note that different industries have different labour and capital intensiveness, which means that a single measure may be misleading. For this study both number of employees and size of capital will be used to test hypothesis $H_{1.5}$. Sales volume will not be considered due to the difficulty in obtaining such information in Saudi Arabia as it is considered highly confidential.

The research findings regarding export performance and the technological advancement of a firm and its products are mixed. Some found a positive relationship and others found either a weak relationship or no relationship at all. Aaby and Slater (1989) indicated that technological intensiveness is consistently found to be related to export performance. For this study the following hypothesis is proposed:

$H_{1.6}$ The more technologically advanced a firm, the better its export performance

Product uniqueness has been found to be positively related to export performance (Beamish et al., 1993). However, Pak (1991) and Bilkey (1982) found no significant relationship. Also, Louter et al. (1991) found a negative relationship between export intensity and product uniqueness. For this study the following hypothesis is proposed:

$H_{1.7}$ Firms with a unique product perform better in exporting

In the literature, export performance is consistently found to be positively related to product quality (Chryssochoidis, 1993). Kaynak and Kothari (1984) found that consistent quality is a major factor in export performance. Christensen et al. (1987) found export performance to be positively related to product quality. For this study the following hypothesis is proposed:

$H_{1.8}$ Export performance of a firm is positively related to its product quality

A firm's experience in business and in exporting is thought to be an important element in its export performance. This thought is widely supported by research findings (Aaby & Slater, 1989; Amine & Cavusgil, 1986; Dominguez & Sequeira, 1993). However, Louter (1991) and Katsikeas (1994) found no relation between exporting experience and export behaviour. Keng and Jiuan (1989) found no relationship between firm age and export involvement. On the other hand, Kirpalani and Macintosh (1980) and Das (1994) found that younger firms do better than older firms in exporting. For this study the following hypotheses are proposed:

$H_{1.9}$ Export performance of a firm is positively related to the age of the firm

$H_{1.10}$ Export performance of a firm is positively related to the firm's experience in exporting

Firms that have a formal structure of export marketing were found to perform better in exporting. Walters and Samiee (1990) found that the existence of a formal export structure within the firm is positively associated with export performance. There seems to be a consistency in this finding. For this study the following hypothesis is proposed:

$H_{1.11}$ Export performance of a firm is positively related to the existence of a formal export structure within the firm

4.3.2. H_2 Export Marketing Strategy

Export marketing strategy represents the means of how a firm pursues its export activities to achieve its export venture objectives. There is no clear agreed upon definition for export marketing strategy (Louter et al., 1991). However, there is general agreement on the positive relationship between export strategy and performance (Bilkey 1982; Christensen et al., 1987; Cooper & Kleinschmidt 1985; McGuinness & Little 1981; Rosson & Ford 1982). Export marketing strategy includes a group of variables for which the firm management has to take decisions to expand their export venture.

The first variable is export policy, which is found to be a very important element in export performance. Cavusgil and Nevin (1981a) and Madsen (1989) found a positive relationship between export performance and the existence of a formal export policy. Firms that have a formal export policy are expected to be more committed to the export venture and this will lead to better performance. The following hypothesis is proposed:

$H_{2.1}$ Firms that have a formal export policy perform better in exporting than firms that do not have a formal export policy

Similar conclusions were found with regard to the relationship between export planning and export performance. Many scholars have found a positive influence of export planning on export performance (Aaby & Slater, 1989; Madsen, 1989; Samiee & Walters, 1990). For this study the following hypothesis is proposed:

$H_{2.2}$ Export planning positively influences the export performance of a firm

Marketing mix is an essential part of any marketing plan or strategy and it is a combination of four elements: product, price, distribution, and promotion (Pride & Ferrell, 1995). There is agreement on the importance of marketing mix elements to export performance, however the issue of whether to standardise or adapt is not resolved yet. The issue of standardisation versus adaptation was discussed in chapter three. Cavusgil and Zou (1994), Dominguez and Sequeira (1993), and Katsikeas (1994) found a positive relation between product adaptation and export performance. However, Christensen et al. (1987) and Zou et al. (1997) found that successful exporters export standardised product. For this study the following hypothesis is proposed:

$H_{2.3}$ Product adaptation positively influences export performance

The decision in formulating an export strategy is whether to offer a standardised price for all export markets or to adapt the price to each export market. For this study the following hypothesis is proposed:

$H_{2.4}$ Price adaptation positively influences export performance

Whether the price is standardised or adapted for each export market, there are firms that are able to offer competitive export prices, whereas other firms have less competitive export prices. This could happen due to many reasons such as production technology, production efficiency, raw material, labour costs, etc. This hypothesis is concerned with whether firms offering competitive price advantage perform better in exporting or not. The export literature indicates that firms with a more competitive export price tend to perform better in exporting. The following hypothesis is proposed:

$H_{2.5}$ The more competitive the export price, the better the export performance of a firm

The debate for standardisation versus adaptation of promotional programmes in international markets has continued for more than two decades. It is still not clear which strategy is more appropriate for exporters to follow. Those who argue for adaptation generally point to the significant differences among nations in terms of cultures, economic development, political and legal systems, and customer preferences. On the other hand, proponents of standardisation emphasise the trend toward homogenisation of world-markets and the financial benefits of standardisation. For this study the following hypothesis are proposed:

$H_{2.6}$ Promotional adaptation positively influences export performance

Distribution channel is defined as a group of individuals and institutions moving products from manufacturers to customers (Pride & Ferrell, 1995). The choice of a particular channel depends on firms' capabilities, local intermediaries, and foreign market opportunities. Whether using a standardised channel for all export markets or adapting different options for different export markets is associated with better export performance needs to be investigated. For this study the following hypothesis is proposed:

$H_{2.7}$ Distribution channel adaptation positively influences export performance

It was also found that conducting market research plays a role in a firm's export performance. Aaby and Slater (1989) concluded that exporters who conduct market research are more successful. Dominguez and Sequeira (1993) concluded that higher export intensity was related to conducting extensive formal research. For this study the following hypothesis is proposed:

$H_{2.8}$ Market research positively influences export performance

With regard to product line strategy, the previous research findings are not clear on whether diversification or concentration strategy will lead to better performance. It all depends on the firm resources and risk spreading strategy (Dominguez & Sequeira, 1993). Diamantopoulos and Inglis (1988) found that diversification strategy leads to more success in exporting. However, Kirpalani and Macintosh (1980) found those firms with only one or a few products to be more successful. For this study the following hypothesis is proposed:

$H_{2.9}$ Export performance is positively influenced by the number of products exported

Similarly, findings regarding market diversification versus concentration strategies are mixed. Diamantopoulos and Inglis (1988) and Lee and Yang (1991) found that exporters who export to a higher number of markets show a higher export level compared to those exporting to few markets. On the other hand, Madsen (1989) suggested that market concentration strategy might lead to better export performance. For this study the following hypothesis is proposed:

$H_{2.10}$ Export performance is positively influenced by the number of export markets covered

How much support the firm offers to its distributors in the foreign markets also plays an important role in export performance. The literature suggests that the higher the level of support the better the performance. However, some researchers found no significant relationship between support and export performance (Koh & Robicheaux 1988). For this study the following hypothesis is proposed:

$H_{2.11}$ The level of support provided to foreign distributors/customers positively influences export performance

Exporters' support to foreign distributor/customer includes after-sale services, training, provision of catalogues and brochures, and most importantly senior management visits. Also, exporters may share promotional costs with their foreign distributors.

In order for firms to start and expand their exports, they have to explore new markets, new customers, and secure new orders. This issue has received a great deal of attention in the export literature, and has mainly been measured by the influence of unsolicited orders. Many researchers found that active exporters seek new orders themselves and do not rely on unsolicited orders, whereas low involvement exporters or reactive exporters rely mostly on unsolicited orders for their export transactions and involvement (Johnston & Czinkota, 1985). Tradeshows, trade missions, market visits, and advertisements in foreign magazines are other means of exploring new markets and

new orders. A more sophisticated and revolutionary approach is the utilisation of the Internet to communicate with the world and explore new opportunities available on the Web and to be available for new customers surfing the Internet (Hamill, 1997). For this study the following hypothesis is proposed:

$H_{2.12}$ Export opportunities exploration approach influences export performance

The last variable in the export strategy is the degree of management control systems to monitor the performance of export activities. It was found that successful exporters rely on formal control systems to monitor performance in export markets (Aaby & Slater, 1989). Madsen (1989) concluded that the close monitoring of export market changes positively influences export performance. For this study the following hypothesis is proposed:

$H_{2.13}$ Export performance is positively influenced by the degree of management control systems

4.3.3. H_3 Management Quality

The decision maker quality is an important element in a firm's export behaviour. The management characteristics, aspirations, expectations, and commitment are significant variables in how the firm starts and expands its export marketing. Aaby and Slater (1989), Bilkey (1978), Das (1994), and other researchers have concluded that management quality is an essential element leading to export success. One measure of management quality is characteristics such as age, experience, and education. There are

ample findings to support the influence of managers' characteristics on export performance (Rogers, 1987; Keng & Jiuan, 1989; Das, 1994). For this study the following hypothesis is proposed:

$H_{3.1}$ Export performance is influenced by management characteristics

There are multiple measures of managers' characteristics, however in this study the following characteristics will be measured and related to export performance to test the above hypothesis: age, education, experience in business, experience with the firm, experience in current position, foreign language proficiency, frequency of travel, travel enjoyability, perception of cultural differences, and nationality. The nationality variable was included because in Saudi Arabia the majority of the labour force in the private sector is non-national, so it is interesting to know if the nationality of a firm's executive has any influence on its export performance.

The decision-maker aspirations reflect individual preferences for organisational goals and the importance he or she places on each goal (Cavusgil, 1984b). Findings regarding the influence of aspirations on export performance are mixed. Cavusgil (1976 & 1984b) classified managers' aspirations into aspirations for growth, aspirations for profit, and aspirations for risk-taking. He found that aspirations for growth and profits are correlated but have no influence on export activity, whereas firms where managers were security oriented had low export intensity. Other researchers found that aspirations are important in the initial stage of export involvement but not in the subsequent stages (Rogers, 1987; Ross, 1982). For this study the following hypothesis is proposed:

$H_{3.2}$ Export performance is influenced by management aspirations

Four types of aspiration will be measured to test this hypothesis: aspirations for sales growth, aspirations for profit, aspirations for investment security, and aspirations for market security.

Likewise, a manager's expectations reflect his/her past experience, present knowledge, and perceptions of future events (Cavusgil 1976; Rogers, 1987). Expectations are one of the most important elements of export performance (Aaby & Slater, 1989). Many researchers found that favourable expectations will lead to better performance (Al-Aali, 1989; Axinn, 1988; Cavusgil, 1976; Cavusgil et al., 1979; Johnston & Czinkota, 1985; Rogers, 1987). As reflected by the model presented in the previous section, favourable expectations may lead to more commitment that will lead to better performance. For this study the following hypothesis is proposed:

$H_{3.3}$ Export performance is influenced by management expectations of export marketing outcome

There are many aspects of expectations that could be discussed. The above hypothesis will be tested by measuring the influence of managers' expectations of growth, profitability, market security, and firm image improvement on export performance.

The last element of management quality is commitment to exporting. There is general consensus that management commitment is positively related to export behaviour (Aaby & Slater, 1989; Cavusgil, 1984b; Douglas, 1993; Walters & Samiee,

1990). Management commitment refers to the amount of resources management places into the export marketing efforts (Cavusgil, 1984b; Cavusgil & Nevin, 1981a; Ross, 1982). For this study the following hypothesis is proposed:

$H_{3.4}$ Export performance is positively influenced by management commitment to export marketing

As management commitment reflects the amount of resources devoted to export marketing, in previous studies different measures were used to measure management commitment. In this study multiple measures will be incorporated to measure the commitment. Commitment will be measured according to the amount of time management devotes to handling export related activities and their willingness to allocate resources for expanding their export marketing.

4.3.4. H_4 Local Market Environment

Local market variables such as size, competitiveness, growth, and profitability have been found to influence export performance of firms either as a stimulus or as a deterrent (Pak, 1991). Firms with small market size or a highly competitive market will seek new markets for their products, and those that are within steady or declining markets will look for new markets to meet their growth targets and aspirations. Moreover, firms that operate in local markets with low profitability will seek new markets that have higher profitability. All these variables play an important role in management expectations concerning exporting and will influence the firm's performance. For this study the following hypotheses are proposed:

$H_{4.1}$ Export performance is influenced by local market size

$H_{4.2}$ Export performance is influenced by local market competitiveness

$H_{4.3}$ Export performance is influenced by local market growth

$H_{4.4}$ Export performance is influenced by local market profitability

4.3.5. H_5 National Environment

Government can play a positive and important role in stimulating and supporting exporters. On the other hand, it may negatively influence exporting firms. The findings on government influence on export performance are mixed. Weaver and Pak (1990) found positive influence of government assistance on export performance. Pak (1991) and Dominguez and Sequeira (1993) found no significant relationship, whereas Douglas (1993) concluded negative influence. For this study the following hypothesis is proposed:

$H_{5.1}$ Export performance is influenced by government assistance

Currency fluctuations may motivate or hinder exporters. Pak (1991) found that as the currency's value declines, exports become less expensive and lead to better performance. On the other hand, higher exchange rates may make the exports expensive and hinder export performance. Al-Aali (1995) found a wide fluctuation in exchange rate to be one of the most important obstacles. For this study the following hypothesis is proposed:

$H_{5.2}$ Export performance is influenced by local currency fluctuations

Low transportation costs may give an advantage to a firm in an export market. Some countries are located along the international shipping lines or have a large volume of international trade and this results in lower shipping costs. On the other hand, shipping from some countries may be costly and goods have to be shipped via other countries to reach their destination. For this study the following hypothesis is proposed:

$H_{5.3}$ Export performance is influenced by the cost of shipping

The ability of a firm to provide attractive financing depends on the availability of financial institutions which support and guarantee export transactions. Bilkey (1978) pointed out that insufficient finance is a major obstacle for American exporters. Similarly, Al-Aali (1995) found the lack of export guarantee institutions to be a major obstacle for Saudi Arabian exporters. For this study the following hypothesis is proposed:

$H_{5.4}$ Export performance is influenced by the availability of financial institutions supporting export transactions

4.3.6. H_6 Foreign Market Environment

The destination of exports is an important element of the export process. There are many variables that are related to the foreign market environment, which vary from country to country and depend on the industry and type of product exported (Pak, 1991). Many researchers found that successful exporters perceive foreign market variables to be

different from unsuccessful or low involvement exporters. For this study the following hypothesis is proposed:

$H_{6.1}$ Export performance is influenced by perceived importance of export market variables

For this hypothesis the perception of managers will be tested for the following 10 variables that are related to foreign markets: 1) high security of payment; 2) low trade barriers; 3) availability of information about export market; 4) availability of trade agreements; 5) availability of distribution channels; 6) having a large market size for firms' products; 7) having low competition; 8) having well-developed infrastructure; 9) being geographically close; and 10) being similar to Saudi Arabian culture.

Export destination has also received great attention in the export literature. Christensen et al. (1987), Das (1994), and Dominguez and Sequeira (1993) found that successful exporters export to developed countries rather than developing countries. Notably, these studies were carried out in developing countries, however even exporters in developed countries shown similar behaviour. Dennis and Depelteau (1985) studying Canadian firms, found that slow growth exporters were concentrating on less developed countries. For this study the following hypothesis is proposed:

$H_{6.2}$ Export performance is influenced by export destination

This hypothesis will be tested by analyzing the export destination of the sample firms to eight regions/countries. The data will be analyzed to find the relation (if any) between export performance and export destination. Those regions are GCC countries,

Arab countries (not including GCC), Japan, Asian countries (non-Arab and not including Japan), Western Europe, North America, Eastern Europe, and Africa (not including Arab countries).

4.4. Export Performance Measures

In chapter three, the literature of export performance measures was presented and the debate regarding how to measure export performance was discussed. In this research five export performance measures were utilised; two objective and three subjective measures (Table 4-1). There now follows a discussion of each measure.

The two objective measures are export intensity and export sales growth. Export intensity refers to annual export sales as a percentage of a firm's total annual sales. It measures how deeply a firm is involved in exporting and how successful the firm is at exporting (Axinn, 1988). On the other hand, export sales growth stands for the percentage increase of annual export sales compared with the previous year. Export sales growth indicates the trend in export sales and the higher the export growth rate the better the export performance (Mohamad, 1994). Both objective measures were measured by asking respondents to indicate the actual data for each measure.

The three subjective measures are export sales volume, export sales growth, and export profitability. A five-point Likert scale was used to measure export performance of responding firms ranging from far above expectations to far below expectations.

Managers were asked to rate their firm's export performance against each of the three export performance measures. Export sales volume measure reflects the management satisfaction with the actual export volume. Export sales growth is measured here subjectively and managers were asked to indicate how satisfactory their export sales growth is. This would incorporate and overcome the limitations of the objective measure of export sales growth. The last subjective measure reflects the management evaluation of the profitability of their firm's export performance. These subjective measures reflect managers' evaluation of export performance against historical results, expectations, and objectives (Louter et al., 1991).

An important issue related to the performance measurement is the time dimension. A one-year performance may not reflect the true performance of the firm. On the other hand, it may not be easy for managers to remember their performance after a long period of time. For this reason, a three-year time horizon was used as the performance measure horizon. Responding managers were asked to answer all performance measures for a three-year time horizon (1997-1999). A three-year period was suggested by Kirpalani and Balcome (1987) and is used by the U.K. Queen's Award and Canada's Export Award Programmes. A three-year period is expected to reflect a more reasonable measure of a firm's export performance to compare with other firms. It may also be difficult for managers to recall data that are more than three years old.

Another issue related to performance measurement is the unit of analysis. Most export marketing studies have used the firm as the unit of analysis (Cavusgil & Zou, 1994). Although this approach has contributed greatly to our knowledge of export

performance, it has its limitations (Cavusgil & Zou, 1994, Gray, 1997) and there are researchers who suggest that individual product-market ventures should be investigated. Their argument as discussed in chapter three is that there may be significant differences in a firm's export performance in different markets (Gray, 1997). However, collecting information on the product-market venture may not be attainable. Saudi Arabian manufacturing firms are mostly small and medium-sized and it is likely that the executive manager is responsible for all product-market export decisions. This makes it difficult for the manager to evaluate each product-market venture. Also, many firms do not have export departments and exporting activities are handled by the marketing manager or even directly by the executive manager. The lack of organized export structure makes it impossible for many firms to know the details of each export product-market venture performance. For this reason, the firm was used as the unit of analysis.

Table 4-1 Export Performance Measures

Measure	Type	Scale	Description
Export Intensity	Objective	Ratio	Percentage of export sales of total sales
Export Growth	Objective	Ratio	Percentage increase in annual export sales value
Export Sales Volume	Subjective	Ordinal	Likert scale (1-5) from far above expectations to far below expectations
Export Sales Growth	Subjective	Ordinal	Likert scale (1-5) from far above expectations to far below expectations
Export Profitability	Subjective	Ordinal	Likert scale (1-5) from far above expectations to far below expectations

4.5. Research Design

In the previous sections, the objective of the study has been defined, the main variables have been identified, and the hypotheses have been discussed. In this section, the researcher will discuss the research design through which the hypotheses will be tested and analysed. Research design is a complex concept and has several definitions. The definitions differ in detail, but they agree that a research design is like a blueprint for the research process, from data collection to measurement to analysis, and it is a framework specifying the relations between the study variables (Emory & Cooper, 1991). According to Emory and Cooper a research design may be viewed from at least eight different perspectives.

1) The degree to which the research problem has been crystallized (the study may be either exploratory or formal).

2) The method of data collection (studies may be observational or survey).

3) The power of the researcher to affect the variables under study (the two major types of research are experimental and the ex post facto).

4) The purpose of the study (research studies may be descriptive or causal).

5) The time dimension (research may cross-sectional or longitudinal).

6) The topical scope - breadth and depth - of the study (a case or statistical study).

7) The research environment (most business research is conducted in a field setting, although laboratory research is not unusual; simulation is another category).

8) The subjects' perception of the research (do they perceive deviations from their everyday routines).

There now follows a discussion of the current study based on the above eight perspectives.

A study may be either exploratory or formal. The major differences between them are the structure and the immediate objective. An exploratory study is loosely structured and its immediate objective is to understand the research tasks and develop hypotheses or questions for further study, whereas the formal study starts with a hypothesis or questions and its objective is to test the hypothesis or answer the research questions. This study combines both exploratory and formal forms. The exploratory part was covered in chapter four, where extensive preliminary research has been conducted by the researcher to become familiar with the research problem. The formal part will cover the testing and analysis of research hypotheses developed in Section 4.3.

Studies are classified based on the data collection method as monitoring or interrogation. In the monitoring or observational method, the researcher records his observation of activities without attempting to obtain responses from anyone, whereas in the interrogation method, the researcher questions the subjects and collects their responses. The researcher may use personal or impersonal means such as mailed questionnaires, self-administered questionnaires, telephone conversation, personal interviews, or similar means. This study is considered a survey study, in which a mailed questionnaire will be sent to a sample of firms and their responses will be collected and

analyzed. It will also include interviews with a small random sample to get in-depth responses to research questions.

A study may be experimental or ex post facto depending on the researcher's ability to manipulate study variables (Emory & Cooper, 1991). In experimental studies the researcher attempts to control the variables either by causing them to change or holding them constant. These studies are appropriate in determining a causal relationship in which the researcher examines the effect of certain variables on other variables. On the other hand, in ex post facto studies, the researcher has no control over the variables in the sense of being able to manipulate them. The researcher can only report what has happened and what is happening and it is important that he must not influence the variables. This study is an ex post facto one. The researcher will have no control or manipulation over the variables and will report what happened and what is happening.

Studies can be either descriptive or causal. The main difference between them lies in their objective. A study is considered descriptive when it is concerned with learning the who, what, when, where, and how much (Emory & Cooper, 1991). On the other hand, studies concerned with learning how one variable affects another are classified as causal. This study is concerned with understanding the who, when, what and where of the subject matter, and to find the asymmetrical relationships between the independent variables and the dependent variable of the research.

Based on the time dimension, studies can be either cross-sectional or longitudinal. Cross-sectional studies are carried out only once over a period of time (e.g.

days, weeks, or months), whereas longitudinal studies are carried out over a long period of time, with the objective of tracking changes happening over time (Emory & Cooper, 1991). The disadvantage of longitudinal studies is budget and time constraints. This study is a cross-sectional study and will be carried out at one point in time to collect the responses to the study questions.

A study can be either statistical or a case study. Statistical studies are designed for broad data collection and their findings can be generalized based on the representation of the sample and the validity characteristics of the design. On the other hand, case studies are designed for the deep analysis of a limited number of cases that allow valuable insights into problem-solving, evaluation, and strategy (Emory & Cooper, 1991). This study will combine both approaches. Initially, a statistical study will be conducted to collect broad data and analyze it to test the hypothesis. Then, a random sample of executives will be interviewed to get in-depth details of the subject matter. The combination of mail questionnaire and interviews will improve the understanding of the subject and enhance the interpretation of the findings.

Research can be done under actual environment conditions (non-contrived settings) or under artificial conditions (contrived settings) (Sekaran, 1992). Those studies that are conducted under non-contrived settings are called field studies. Alternatively, if the study is conducted under simulated or artificial conditions, then it is classified as a laboratory study (Emory & Cooper, 1991). This study is a field study, as it will be carried out under actual environmental conditions.

People involved in the study may affect a well-designed study when they know that it is being conducted. "Although there is no widespread evidence of attempts to please the researcher through successful hypothesis guessing nor evidence of the prevalence of sabotage, when subjects believe that something out of the ordinary is happening, they may behave less naturally" (Emory & Cooper, 1991, p. 144).

4.6. Questionnaire Development

Developing an effective instrument for research is a very important task. The selected or developed instrument will have a great impact on the validity and reliability of the study findings. Therefore, before collecting the data, the researcher should be aware of how the instrument will be designed, controlled and implemented.

The mail questionnaire is defined as a preformulated written set of questions against which the respondents have to record their answers (Sekaran, 1992). Although mail surveys have some disadvantages they have many advantages. Mail surveys' many advantages are (Bourque & Fielder, 1995; Mangione, 1995):

- Low cost (the greatest single advantage of mail surveys compared to other methods),
- Mail surveys allow very wide geographic coverage,
- Mail surveys allow the researcher to study large samples within a limited budget,

- Mail surveys make it possible to reach people who are reluctant to talk to surveyors either in person or on the phone. It also helps reach people who are too busy and difficult to reach,
- Mail surveys can be carried out within a short period of time as the questionnaires are sent to all respondents at the same time. This will also help reduce the influence of events outside or unrelated to the study,
- Mail surveys give privacy to respondents and encourage them to answer sensitive questions they may not be willing to answer on the telephone or in face-to-face interviews,
- Mail surveys give respondents the freedom to answer them at a time convenient to them,
- Mail surveys allow visual input rather than merely auditory input, and
- They isolate the respondent from any influence the interviewer may exert on them.

On the other hand, mail surveys have a number of disadvantages. These will be discussed in the context of the next section as we discuss the design of the questionnaire and how to minimize the effect of these disadvantages.

4.6.1. The Questionnaire Design and Testing

In research design, the researcher must understand the full dimensions of the subject of study. In this study, the researcher conducted an extensive literature review on

factors influencing export performance and gained a full understanding of the research objective. Then, based on the literature review, the researcher developed a set of hypotheses and determined the required information to test them. As the researcher selected the mail questionnaire method for collecting the data needed to test the hypotheses of this study, in this section the design of the questionnaire will be discussed.

The questionnaire was divided into five parts (See Appendix A). The first part covers export marketing strategy and consists of eight questions. The second part contains three questions covering the environmental variables, one question regarding home market environment and national environment and two questions regarding foreign market environment. The third part contains the questions regarding performance measures. The questions relating to management quality were placed as the fourth part towards the end of the questionnaire as suggested by Bourque and Fielder (1995) and comprise fifteen questions. The last part covers firms' competitive advantages and consists of fifteen questions.

To increase the reliability and validity of the questionnaire, the researcher used questions that have been used in previous studies. Only in a few cases where there were no similar questions, were new questions developed.

In considering the questionnaire's questions, the researcher carefully avoided redundant questions and only questions that will contribute to the testing of the hypotheses were included. Questions were written in a brief and clear format, as this would encourage the respondents to read and understand them before choosing their

answers. Definitions for terms were provided as required and abstract and jargon terms were avoided. Only questions that the respondent would be capable of answering were included. Multiple choice questions were furnished with an exhaustive list of answers to cover all possibilities.

Sensitive questions which the respondent could not be expected to answer were avoided. Questions regarding firm sales and profits were avoided as this is considered sensitive in the Saudi Arabian business environment and may discourage the respondent from answering the questionnaire. Only subjective measures of sales and profitability were included as discussed in the performance measure section. Skipping over the sequence of questions was avoided as this may confuse the respondent. The recall period for answering the questions was also considered, as it is sometimes difficult to recall old events or decisions. Questions related to the first export order were not included due to the recall problem.

The first draft of the questionnaire is never perfect and may require rounds of revisions (Mangione, 1995). Pretests rely on colleagues, respondent surrogates, or actual respondents to evaluate and refine the questionnaire (Emory & Cooper, 1991). For this study the researcher distributed the questionnaire among colleagues to receive their evaluation of the questionnaire's clarity, flow, suitability of measures, exclusivity of answers, and time to answer the questionnaire. Based on their feedback the questionnaire was revised.

Then it was decided to run a pilot test. A sample of 30 exporting firms was randomly selected from the Dundee Business Directory and a questionnaire was sent to each of them with a cover letter explaining the objective of the study. Taking the feedback from the questionnaires actually filled out, additional refinements were considered and the final questionnaire version was developed.

After that, the questionnaire was translated into Arabic (the language of the study sample respondents) and then translated back into English to ensure a reliable translation. The Arabic version was then reviewed by scholars at the King Fahd University of Petroleum and Minerals and King Faisal University in Saudi Arabia to confirm the clarity and appropriateness of the questionnaire. Additional refinement was considered based on their feedback (See Appendix B).

4.6.2. Factors Affecting Questionnaire Response Rate

One of the main disadvantages of mail surveys is the low response rate (Bourque & Fielder, 1995). Although a higher response rate reflects better representation of the sample, Emory and Cooper (1991) argue that mail surveys with a response rate of 30 percent are often considered satisfactory. In Saudi Arabia, a response rate of 15 percent is normal (Alarfaj, 1996). For this reason, a main objective of the researcher was to maximise the response rate. The following are the techniques that were considered to increase the response rate of this research (Bourque & Fielder, 1995; Emory & Cooper, 1991; Mangione, 1995).

A cover letter is the key to encouraging the respondent to cooperate and fill in the questionnaire. For this study a cover letter was attached with the questionnaire in both Arabic and English (Appendices C and D). It was brief and informative, and explained the objective of the study, the importance of the respondent participation, and the benefits of the study to his firm. It also explained how the respondents were selected and that the information would be treated confidentially and only for the purpose of this study. Finally, an appeal was included to encourage the respondent to fill in the questionnaire and a phone number was provided for any questions regarding filling in the questionnaire. These elements were important to improve the effectiveness of the cover letter and increase the response rate.

There is little evidence that a shorter questionnaire will obtain a higher response rate (Emory & Cooper, 1991). It is difficult to measure the length of the questionnaire; is it the number of questions or the number of pages? There are several confounding factors influencing the response rate (Mangione, 1995). For improving the response rate, Mangione suggested that a researcher should design a questionnaire that efficiently covers the important elements of the study and avoids redundant questions. Also, he suggested that the instructions should be precise, short, and clearly visible and recommended the use of various formats that aid the respondent through the questionnaire such as bold face, boxing, and arrows. These suggestions were adopted in designing the questionnaire. Previous research found no significant effect of questionnaire size, colour, or reproduction method on response rate. However, it is suggested that the copies should be clear.

Respondents are more likely to respond to surveys that are sponsored by respected or official agencies (Emory & Cooper, 1991; Mangione, 1995). For this study, a letter was included from the chairman of the Eastern Province Chamber of Commerce and Industry, a highly respected institution serving the private sector (including manufacturing firms), stressing the importance of the study and appealing to the respondents to respond and fill in the questionnaire (Appendix E). This was of a great influence as noted by some firms.

It has been found that the inclusion of a pre-paid return envelope increases the response rate (Emory & Cooper, 1991). Questionnaires without a pre-paid return envelope attain a minimal response rate as it is unreasonable to expect the respondent to fill in the questionnaire, find an envelope, and go to the post office to weigh, stamp and send the questionnaire (AlShoaibi, 1998). Also, a stamped return envelope puts subtle pressure on the respondent to return the questionnaire (Mangione, 1995). A pre-paid return envelope was included with every questionnaire pack.

Previous research findings show no significant advantage for first class mail over third class, stamped mail over metered mail, or for large denomination stamps over multiple small denomination stamps (Emory & Cooper, 1991). For this study, first class metered mail was used for mailing out the questionnaires and stamps were used for the return envelopes.

There is no definite advantage in personalising the mailing on improving the response rate. For the purpose of the study and considering the need to have the top

executive manager answer the questionnaire, the mailing envelope and the cover letter were personally addressed. This was costly, but it is thought to help ensure that the questionnaire is received by the executive manager and not by his subordinates.

Respondents are more likely to respond when they know that their answers will be treated confidentially (Mangione, 1995). In this study, the cover letter assured the respondent that their answers would be treated confidentially and the questionnaire did not have their names or addresses. Instead, a coding system was used to follow up the responses. They were also provided with an additional form for requesting a summary of study results. The form could be sent separately from the questionnaire.

Some studies indicated that monetary incentives are effective in increasing the response rate, but it may cost more than the value of the added information (Emory & Cooper, 1991). Additionally, some surveyors regard data collected from individuals who received incentives as unreliable (Mangione, 1995). Considering the high level of the respondents, monetary incentives were not considered, instead they were offered a summary of the study results.

The use of a deadline date was not found to improve the response rate, however it helps to accelerate the rate of questionnaire return. The use of deadline dates gets complicated when using reminders, as the researcher does not want to keep reminding and changing the deadline every time he follows up. Mangione (1995) suggested the use of soft deadlines that had no specific dates such as "Please reply within the next two weeks".

Mailing time proved to affect the response rate as mailing during summer and holiday periods produces a lower response rate. The questionnaires were mailed early February 2000. This period is considered a good time for conducting research in Saudi Arabia as top managers are in the country at this time (Al-Shoaibi, 1998).

Mangione (1995) asserts that "... the single most important technique to use to produce high response rate is to send out reminders". Researchers have used many follow-up methods and it is of great importance in achieving higher response rates. Frankfort-Nachmias and Nachmias (1992) suggested the adoption of total design method (TDM). TDM follow-up procedures suggest a first reminder after one week, a second reminder with a replacement questionnaire after the third week, and a third reminder with a replacement questionnaire after seven weeks.

Mangione (1995) suggested three reminders to follow the questionnaire mailing. The first reminder should be sent two weeks from mailing the questionnaire followed by a second reminder after another two weeks and a third reminder after six weeks from mailing the questionnaire.

In this study, taking into consideration the long time mail takes through the post system in Saudi Arabia, a modified approach was adopted. Three weeks after mailing the questionnaire, a first reminder was sent asking the respondent to fill in the questionnaire and return it. After another two weeks, a second reminder was sent and a replacement questionnaire. A third reminder was sent three weeks after the second reminder.

4.7. The Sample

A sample is a subset of the population, for which a researcher would like to make some inferences, and the population represents the total collection of elements under study (Emory & Cooper, 1991). "Sampling is the process of selecting a sufficient number of elements from the population so that by studying the sample, and understanding the properties or the characteristics of the sample subjects, we will be able to generalise the properties or characteristics of the population elements" (Sekaran, 1992, p. 226). Sampling is important for many reasons. In a large population it would be impossible to collect, test and analyse the data for every element. It is also costly and time consuming to study the complete population. Moreover, studying the sample rather than the population may result in more reliable findings due to less fatigue and fewer errors in data collection (Sekaran, 1992).

There are many types of sampling designs, they are mainly classified into probability and non-probability sampling. Probability sampling can either be restricted or unrestricted. Unrestricted sampling is a simple random sampling where every element in the population has a known equal chance of being selected. Whereas unrestricted sampling has many different sampling designs such as systematic sampling, stratified random sampling, cluster sampling, and double sampling. On the other hand, non-probability sampling is classified into convenience sampling or purposive sampling (Emory & Cooper, 1991).

In this study, all the population listed in the Saudi Export Directory (Third edition, 1999) were included. As mentioned earlier, sampling is used when the

population is large, however in this study the population was only 550 firms. This makes it possible to study the whole sample and increase the reliability by minimising sampling error.

The questionnaire was addressed to the executive manager of each firm. However, there is a chance that another manager in the firm would fill the questionnaire in and for this reason a question was added in the questionnaire asking the respondent to indicate his position. Executive managers were selected to answer the questionnaire because they are responsible for their firm's success and they act on the basis of their perceptions and not on objective elements as they exist (Ross, 1982).

4.8. Validity and Reliability

Every instrument has to be tested to ensure that developed measures are reasonably good. The two main criteria for ensuring the goodness of a measure are validity and reliability. "Validity tests how well an instrument that is developed measures the particular concept it is supposed to measure. Reliability tests how consistently a measuring instrument measures whatever concept it is measuring" (Sekaran, 1992, p. 171).

4.8.1. Validity

As defined in previous section, validity is concerned with how well the instrument is measuring what it sets out to measure. Basically, there are two major forms of validity: external and internal validity (Emory & Cooper, 1991). External validity refers to the ability to generalize research findings across persons, settings, and times, whereas internal validity refers to the ability of a research instrument to measure what it is set to measure.

Internal validity is classified into four forms: face validity, content validity, criterion validity, and construct validity. Face validity is based on a cursory review of the instrument by untrained individuals to have their opinion about how the instrument looks to them (Litwin, 1995). Content validity of an instrument refers to how well it covers the topic under study (Emory & Cooper, 1991). The evaluation of content validity is judgmental and can be achieved either by the research designer, or by having a panel of reviewers who know the subject matters. In both cases, the objective of the evaluators is how well the instrument covers the subject of study.

Criterion-related validity refers to the measure of success in differentiating individuals on a criterion it is expected to predict, which is either concurrent or predictive validity (Sekaran, 1992). Concurrent validity refers to the ability of the measure to discriminate individuals who are known to be different, whereas predictive validity refers to the measure's ability to differentiate among individuals based on a future criterion.

The last type of validity is construct validity. It refers to how well the results obtained from the use of the instrument fit the theories and concepts of the subject matter (Sekaran, 1992). Construct validity is assessed through convergent and discriminate validity. Convergent validity implies that two instruments measuring the concept matter correlate highly with each other. On the other hand, discriminate validity is established when the two variables are predicted to be uncorrelated and the test results using the instrument prove so.

In this study the validity is believed to have been achieved by accomplishing the following procedures. First, most of the questionnaire questions and measures were adapted from previous studies. Second, the instrument was reviewed by colleagues and professionals from different fields for the content and coverage of the questionnaire to the matter under study. Revisions were made to incorporate their comments. Third, further revisions were undertaken by professional researchers in the field of international marketing to evaluate the questionnaire coverage of the research topic. They were asked to evaluate its appearance, clarity of questions, appropriateness of measures, exhaustiveness of answers and flow of questions. Based on their comments further revisions were made. Additionally, a pilot study was conducted to test the questionnaire. The valuable feedback from the pilot study was used to refine the instrument questions and measures.

4.8.2. Reliability

Reliability of a measure refers to the degree it gives consistent results, it is concerned with the degree to which a measurement is free of random or unstable errors (Emory & Cooper, 1991). In any survey, there will be some amount of error and the researcher's objective is to minimize such error. There are two components of error: random error and measurement error (Litwin, 1995). Random error refers to the unpredictable error that occurs in the research and may be caused by many variables. Primarily, random error is affected by sampling technique and thus increasing the sample size can minimize it. Measurement error refers to how well a particular instrument performs in a given population (Litwin, 1995).

Reliability is commonly estimated in three forms: test-retest, parallel forms, and internal consistency (Emory & Cooper, 1991). Test-retest is achieved by administering the survey to the same subjects at two different and appropriate points of time and comparing their results. It measures the stability of responses over time. Parallel forms uses differently worded forms of the same measure and estimates to what extent they can produce the same results. Finally, internal consistency refers to the degree to which the questionnaire items are homogeneous and reflect the same underlying construct (Emory & Cooper, 1991). In this study, reliability was tested using Cronbach's alpha coefficient.

4.9. Summary

In this chapter, the model used in this study for the export performance determinants was presented. Factors influencing export performance were classified into six groups: internal and external factors. Internal factors were classified into three groups: firm's differential advantages, export marketing strategy, and management quality. External factors were grouped under local market environment, national environment, and foreign market environment. Based on this classification, six main hypotheses were developed followed by relevant sub-hypotheses. Then a presentation and discussion of the export performance measures that will be utilised in this study followed.

The chapter covered the research design through which the data was to be collected for testing the research hypotheses. The study utilises both quantitative (a questionnaire) and qualitative (interviews) techniques to collect the research data. The questionnaire development was discussed from design to testing. Also, the factors affecting response rate were presented and what measures were considered to increase the response rate were outlined. The study sample will cover all 550 firms listed in the Saudi Export Directory (third edition, 1999). Finally, the validity and reliability of the research instrument were examined.

The survey findings and hypotheses testing based on the framework discussed in this chapter will be presented in the next chapter.

CHAPTER FIVE
DATA ANALYSIS AND RESULTS

5.1. Introduction

In Chapter 4, the research methodology was laid out and the data collection method was discussed. This chapter covers the description and analysis of data collected and presents the statistical results and findings related to hypothesis testing. Given the present study covers a large number of variables and utilises three different export performance measures, most of the discussion and interpretation of results is deferred to the next chapter. This enables us to integrate effectively the findings with the results of previous studies.

The chapter is organised as follows. Section 5.2 presents the sample characteristics. This section includes a discussion of sample representativeness, non-response bias, early and late response bias, reliability test, and descriptive analysis of sample firms. Section 5.3 explains the export performance measures used in this study and how they have been operationalised. Section 5.4 covers the statistical analysis of the data and hypothesis testing. It consists of six sections, each covering a main hypothesis. The six hypotheses cover firms' differential advantage, export marketing strategy, management quality, local market environment, national environment, and foreign market environment. Then, Section 5.5 presents the regression analysis for export performance measures. Section 5.6 covers the qualitative results of personal interviews with six managers of exporting firms. Finally, Section 5.7 concludes the chapter by summarising the main findings.

5.2. Sample Characteristics

The method of sample selection in the present study was as follows. The Questionnaires were mailed on the first week of February 2000 to all 550 manufacturing firms listed in the Saudi Export Directory (Third edition, 1999). The Eastern Province Chamber of Commerce and Industry sponsored the mailing of questionnaires. Questionnaires were accompanied with a letter from the Chairman of Eastern Province Chamber of Commerce and Industry addressed to the firms' general managers urging them to participate in the study and fill in the questionnaire. The mailing also included a cover letter from the researcher (in Arabic and English) and two forms. One form was a request from the participant to receive a summary of the study results that can be sent or faxed separately. This was done to increase the confidentiality of the survey and the respondents did not have to reveal their names in the questionnaire. The other form was a request to receive an English copy of the questionnaire for those managers who do not speak Arabic.

Of the 550 questionnaires mailed, only three questionnaires were returned undeliverable. Of the remaining 547 delivered questionnaires, 168 responses were received to make up a response rate of 30.7%. However, fourteen Questionnaires were excluded. Seven had many missing items and were considered incomplete. And another seven were not filled by an executive manager of the responding firm. This brings the total usable questionnaires to 154 representing a response rate of 28.2%.

After the first mailing, 80 questionnaires were received and the remaining 74 were received after utilising the follow-up procedures discussed in the previous chapter. Table 5-1 presents the response rate analysis.

Table 5-1 Response Rate Analysis

	N
Total sample	550
Returned undelivered	3
Total surveyed	547
Received questionnaires	168
Response Rate	30.7%
Unusable questionnaires	14
Usable questionnaires	**154**
Final Response Rate	**28.2%**

5.2.1. Respondents' Representativeness

The 154 firms participating in the study mainly represent six different industrial sectors. The distribution of participating firms according to their industrial sectors is presented in Table 5-2. In the questionnaire, there were nine sectors but three sectors were added to the 'others' category as they had a small number of firms. This brings the sectors to five industrial sectors plus 'others'.

At this stage, it is important to verify that the 154 responses that will be analysed represent the population that was covered in this study. A chi-square test was used to test the representativeness by comparing the actual number of participants from each industrial sector with the expected number based on the total sample. The null hypothesis states that there is no significant difference between the number of participating firms

from each industrial sector and the number of firms who did not participate, based on the total sample.

The result of a chi-square test produced a chi-square computed value of 2.838 with df = 5 and a p value of 0.725. Therefore, the null hypothesis could not be rejected and concludes that the number of firms participating from each industrial sector is not significantly different from the number of firms who did not participate.

Table 5-2 Industry Classification of Participating Firms

	Usable Responses		Surveyed Sample	
	N	Percent	N	Percent
Food & Beverages	25	16.2	103	28.7
Chemicals & Petrochemicals	20	13.0	73	20.5
Plastic & Rubber Products	20	13.0	62	17.4
Construction Material, Ceramics & Glass	15	9.7	47	13.1
Metal Products, Machinery & Equipment	53	34.4	202	56.6
Other	21	13.6	63	17.7
Total	154	100.0	550	

5.2.2. Non-Response Bias Test

A major concern in mail questionnaires is the non-response bias. It is possible that non-respondents vary from the respondents and that the sample does not represent the surveyed population. There are many reasons for non-response such as: change of address, no interest in study, not being available during the survey period, being too busy and having no time to reply, or non-cooperative respondents. So it is important to make sure that the non-respondents do not differ from the respondents, as this will increase the researcher's ability to generalise the results on the population.

To test that this survey did not suffer from any non-response bias, the researcher selected eleven questions from the questionnaire to survey the non-respondents. These questions covered the firm marketing strategy, characteristics and export performance. Then, the researcher randomly selected 30 firms from those who did not respond to the questionnaire and phoned them to obtain answers for the mini questionnaire. The results from those 30 firms were compared to the responses of the 154 participating firms to test if they vary from each other. A t-test was conducted and the results show no significant difference between respondents and non-respondents for the 11 questions as presented in Table 5-3. This confirms that there is no non-response bias in the data collected.

Table 5-3 T-Test of Non-Response Bias

Variable	T	df	Sig. (2-tailed)
Saudi Intermediaries	-1.115	58.9	0.269
Saudi Export Companies	0.467	181	0.641
Foreign Market Intermediaries	-1.242	181	0.216
Foreign Distributor/Agent	0.282	181	0.779
Own Subsidiary	-1.215	77.3	0.228
Direct Sale	0.829	181	0.408
Export Intensity	0.177	182	0.859
No. of Employees	-1.336	62.4	0.186
No. Years in Business	0.751	61.7	0.456
No. Years Exporting	0.007	178	0.995
No. of Countries Exporting to	0.599	177	0.550

Note: A Mann-Whitney Test (non-parametric) was conducted and similar results were obtained

5.2.3. Early and Late Response Bias Test

Another concern related to the follow-up procedures is early and late response bias. There is some concern that those who respond early are different from those who responded late after being reminded. There could be many reasons for late response such as delay or mail being lost while underway[1], the respondent was out of office when the questionnaire arrived or too busy when the questionnaire was received. The follow-up procedures are used to increase the response rate, but some respondents may fill in the questionnaire quickly and do not take it seriously. Therefore, unreliable answers may exist. The researcher can test this bias by comparing the responses of those who replied after the first wave of questionnaires with those who replied after the follow-up reminders.

In this survey, 80 questionnaires were received before starting the follow-up procedures and 74 after the follow-up procedures. In order to test if there is any significant difference between the early and late respondents, the same questions used in the previous section to test non-response bias were used to test early and late bias. The answers of both groups to the eleven questions were compared using a t-test. The results as presented in Table 5-4 show no significant difference between early and late respondents. Therefore, early and late response bias is not an issue in this survey.

Table 5-4 T-Test, Early and Late Bias

Variable	t	df	Sig. (2-tailed)
Saudi Intermediaries	1.193	151	0.235
Saudi Export Companies	1.211	151	0.228
Foreign Market Intermediaries	0.354	151	0.724
Foreign Distributor/Agent	-0.051	151	0.959
Own Subsidiary	0.223	149	0.824
Direct Sale	-1.352	151	0.179
Export Intensity	0.757	152	0.450
No. of Employees	-0.160	150	0.873
No. Years in Business	0.938	151	0.350
No. Years Exporting	1.044	148	0.298
No. of Countries Exporting to	-0.079	147	0.937

Note: A Mann-Whitney Test (non-parametric) was conducted and similar results were obtained

[1] Many respondents during the follow up referred to this problem

5.2.4. Reliability Test

Reliability of a measure refers to the degree it gives consistent results; it is concerned with the degree to which a measurement is free of random or unstable error (Emory & Cooper, 1991). In the previous chapter, the reliability issue was discussed and the measures to improve the reliability were presented. One of the most popular reliability tests is Cronbach's alpha coefficient (Sekaran, 1992). The measure tests the consistency of respondents' responses to all the items in a measure. Cronbach's alpha coefficient ranges from 0 to 1, the closer the value to 1 the higher the reliability. As a rule of thumb the result should be more than 0.8 (Bryman & Cramer, 1999). In this study, Cronbach's alpha coefficient was calculated using SPSS, and the result was 0.8849.

5.2.5. Descriptive Analysis of Data

The descriptive characteristics of responding firms are presented in Table 5-5. From the table we find that the metal products, machinery and equipment sector represents 34.4 % of the sample. We also note that almost half the sample firms are exporting industrial products. With regard to ownership of sample firms, limited liability firms represent 67.5% of the sample firms. The majority of sample firms have less than 500 employees and 60% of the sample firms have less than 200 employees. Moreover, firms' ages reflect the young manufacturing business in Saudi Arabia as 90% of them are less than 30 years in business, only one firm had 60 years' experience in business. Similarly, 90% of these exporting firms have been exporting for 15 years or less.

Table 5-5 Sample Characteristics

		Frequency	Percent
Industry Classification	Food & Beverages	25	16.2%
	Chemicals & Petrochemicals	20	13.0%
	Plastic & Rubber Products	20	13.0%
	Construction Material	15	9.7%
	Metal Products, Machinery & Equip.	53	34.5%
	Other	21	13.6%
	Total	154	100.0%
Product Type	Industrial Product	88	57.5%
	Consumer Product (Non-durable)	37	24.2%
	Consumer Product (Durable)	28	18.3%
	Total	153	100.0%
Ownership Type	Limited Liability	104	67.5%
	Sole Proprietorship	28	18.2%
	Joint Stock Co.	14	9.1%
	Other	8	5.2%
	Total	154	100.0%
No. of Employees	From 1 - 50	23	14.9%
	51-100	26	16.9%
	101-200	44	28.6%
	201-500	35	22.7%
	More than 500	26	16.9%
	Total	154	100.0%
Size of Capital	From 1 - 5 Million SR	20	13.0%
	6-10 Million SR	28	18.2%
	11-40 Million SR	45	29.2%
	41- 100 Million SR	37	24.0%
	More than 100 Million SR	24	15.6%
	Total	154	100.0%
No. Years in Business	From 1 - 5 Years	5	3.2%
	6-10 years	24	15.6%
	11-20 years	76	49.4%
	More than 20 years	49	31.8%
	Total	154	100.0%
No. Years Exporting	From 1 - 5 Years	31	20.1%
	6 - 10 years	61	39.6%
	11- 15 years	46	29.9%
	More than 15 years	16	10.4%
	Total	154	100.0%

5.3. Export Performance Measures

In Chapter 3, the literature of export performance measures was presented and the debate on how to measure export performance was discussed. There is little agreement on a uniform definition of export performance or a measure of export performance. In Chapter 4, five export performance measures were discussed and were included in the questionnaire; two objective measures and three subjective measures as presented in Table 5-6.

The two objective measures are export intensity and export sales growth. Export intensity stands for the percentage of annual export sales of a firm's total annual sales and export sales growth stands for the percentage increase of annual export sales compared with the previous year. Respondents were asked to fill in the export intensity and growth for the last three years, each year separately. Then during coding, the averages of three years of both export intensity and export sales growth were calculated (this is thought to give a more reliable result rather than asking the respondent to give a three-year average).

The three subjective measures used are export sales volume, export sales growth, and export profitability. A five-point Likert scale was used to measure export performance ranging from far above expectations to far below expectations. Managers were asked to rate their firm's export performance for the previous three years (1997-1999) against each of the three export performance measures.

Of the five measures, the objective measure of export sales growth did suffer some problems. First, there were 36 respondents who did not fill in this measure. Second, it was noticed during coding that some respondents were inputting the absolute difference in export intensity between two years as the export sales growth, which did not reflect the actual rate. For those two reasons, the researcher thought it would not be feasible to rely on this measure and therefore it was not included in the analysis. It was also found that two subjective measures, namely export sales growth and export sales volume, were positively and significantly correlated. The Pearson correlation coefficient was 0.813 and significant at 0.01 level.

In conclusion, since this research has a large number of variables to be tested and related to export performance and since the subjective measures 'export sales growth' and 'export sales volume' were significantly correlated, export sales volume was not included in the analysis. This will limit the research to three measures of export performance: one objective measure (export intensity) and two subjective measures (export sales growth and export profitability). These three measures represent three distinctive measures that are expected to enhance and widen our knowledge of factors influencing export performance. Gemunden (1991) supports the use of those three measures. He argued that previous research found no positive relationship between export intensity and either export sales growth or export profitability. Thus, he suggested that the three measures should be used to develop different models for each dimension. In the following analysis, hypotheses will be tested for each of these three measures and results will be reported accordingly.

Table 5-6 Export Performance Measures

Measure	Type	Scale	Description
Export Intensity	Objective	Ratio	Percentage of export sales of total sales
Export Growth	Objective	Ratio	Percentage increase in annual export sales value
Export Sales Volume	Subjective	Ordinal	Likert scale (1-5) from far above expectations to far below expectations
Export Sales Growth	Subjective	Ordinal	Likert scale (1-5) from far above expectations to far below expectations
Export Profitability	Subjective	Ordinal	Likert scale (1-5) from far above expectations to far below expectations

5.4. Statistical Analysis of Data and Hypothesis Testing

In the previous sections, the descriptive analysis of data was laid out and the basis for export performance measures was discussed. In this section, the data will be statistically tested and analysed. Basically, four types of parametric tests are utilised in this study: correlation test, one-way analysis of variance (ANOVA) test, t-test, and step-wise regression analysis. A correlation test is used mainly to test the strength and direction of relation between independent variables and export performance measures. It is used for interval and ratio scales. The correlation is derived by assessing the variations in one variable as another variable also varies. The correlation coefficient ranges from +1 for perfect positive correlation to –1 for perfect negative correlation.

A one-way ANOVA test is used to test differences in the means of several groups. It evaluates whether or not the means of various groups are significantly different from one another or not (Sekaran, 1992). It breaks down total variability into component parts and uses squared deviation of the variance so that computation of distance of the individual data points from their own mean can be summed (Emory and Cooper, 1991). Each group has its own mean and all data points from all the groups produce an overall grand mean. The total deviation is the sum of the squared differences between each point and the grand mean. The total variance of any point is divided into between-group variance and within-group variance. The between-groups variance represents the deviation of sample means from the grand mean whereas within-group variance indicates the deviation of the data points within each group from the sample mean summed (Emory & Cooper, 1991). One-way ANOVA is tested by computing F ratio which result from dividing between-group variance over within-group variance.

The computed value is compared to a critical value of F distribution. If the computed value is greater than the critical value then the null hypothesis is rejected and it is concluded that there are statistically significant differences between two or more pairs of means. In this study, one-way ANOVA is used to test hypotheses which have either nominal or interval scale.

The independent sample t-test is used to test the differences between the means of two independent groups. It evaluates whether the mean value of one group differs significantly from the mean of the second group. In this study, t-test is used to test hypothesis with dichotomous scale (such as yes or no questions). The multiple regression analysis helps to explain the variance in a dependent variable (export performance) by a set of independent variables. Stepwise regression analysis helps us to understand which, among a set of independent variables, is the most important in explaining the variance in the dependent variable, which is the next important, and so on (Sekaran, 1992). Among a set of independent variables (predictors) it will include only those variables explaining some variance in the dependent variable, and will exclude those variables which do not explain any additional variance. Moreover, other parametric and non-parametric tests are used as required. They are discussed within the context when they are used.

This part consists of six sections: firm differential advantage, export marketing strategy, management quality, local market environment, national environment, and foreign market environment. Under each section a different hypotheses will be tested and results will be presented.

5.4.1. Firms' Differential Advantages

Eleven hypotheses related to firm differential advantages were proposed in Chapter 4. In this section, those hypotheses will be tested and their results will be presented. The first hypothesis is related to the firm's ownership.

$H_{1.1}$ Export performance is influenced by the firm's ownership type

The ownership of participating firms was distributed over three categories: sole proprietorship, limited liability, and joint stock. Table 5-7 presents the distribution of sample ownership and means of their performance measures. Limited liability represent two thirds of the sample followed by sole proprietorship and then joint stock firms.

A one-way ANOVA test was carried out to test if there is any significant difference in export performance between the different types of ownership. From the test results it was found that export intensity and export sales growth have no significant difference due to ownership variable. However, there was a significant difference in export profitability. This indicate that firm ownership type influences export profitability. In order to find which type of ownership type is different, further analysis using a *post hoc* multiple comparison test was carried out. The LSD (Least Significant Difference) test shows that joint stock firms are significantly lower in profitability than sole proprietorship and limited liability firms. Results are presented in Table 5-8. We conclude that export performance is influenced by ownership type when measured by export profitability.

Table 5-7 Ownership Type Analysis

	Frequency	Percent	Export Intensity	Export Sales Growth	Export Profitability
Sole Proprietorship	28	18.2	18.34	2.64	2.61
Limited Liability	104	67.5	24.45	2.54	2.50
Joint Stock Co.	14	9.1	25.17	3.14	2.00
Total	146	100.0	22.54	2.58	2.46
One-way ANOVA F value			2.318	2.846	**2.318***

* Denotes 5% level of significance.

Note: A Kruskal-Wallis Test (non-parametric) was conducted and similar results were obtained.

Table 5-8 LSD Post Hoc Comparison Test for Export Profitability

Joint Stock Co. Compared with	Mean Difference	Std. Error	Sig.
Sole Proprietorship	-0.61	0.252	**0.017**
Limited Liability	-0.50	0.219	**0.024**

$H_{1.2}$ Export performance is influenced by type of industry

The distribution of responding firms based on their industrial sector and the corresponding export performance means are presented in Table 5-9. To test the above hypothesis a one-way ANOVA test was carried out to compare the performance of different industrial sectors and see if there were any significant differences. The results in Table 5-9 show that there is a significant difference in export intensity between different industrial sectors. However, a Kruskal-Wallis test showed that there is a significant difference only at 0.10 level of significance. Therefore a normality test was conducted for export intensity to decide whether to use parametric or non-parametric tests to find

which sector is different. The normality test showed that the distributions of export intensity within each industry sector were not normal. Then a Kruskal-Wallis test was conducted and this showed that food sector firms have lower export intensity than other sectors but only significant at 0.10 level (Table 5-10). This supports the literature that different industries' export performance is influenced by the nature of the industry.

Table 5-9 Industry Influence Analysis

	Frequency	Percent	Export Intensity	Export Sales Growth	Export Profitability
Food & Beverages	25	16.2	14.43	2.48	2.48
Chemicals & Petrochemicals	20	13.0	28.95	3.10	2.60
Plastic & Rubber Products	20	13.0	28.36	2.75	2.30
Construction Material, Ceramics & Glass	15	9.8	30.83	2.67	2.27
Metal Products, Machinery & Equipment	53	34.4	19.58	2.55	2.45
Other	21	13.6	22.09	2.05	2.62
Total	154	100.0	22.54	2.58	2.46
One-way ANOVA					
F - value			**3.355***	1.377	0.538

* Denotes 5% level of significance.

Table 5-10 Kruskal-Wallis Test of Industry Type and Export Intensity

Industry Sector	Mean Rank
Food & Beverages	51.18
Chemicals & Petrochemicals	76.53
Plastic & Rubber Products	76.88
Construction Material, Ceramics & Glass	80.80
Metal Products, Machinery & Equipment	63.24
Chi-Square	9.187
df	4
Sig.	0.057

$H_{1.3}$ Export performance is influenced by a firm's geographical location

Table 5-11 presents the distribution of participating firms in terms of area. A one-way ANOVA test was carried out to test if a firm's export performance is influenced by the firm's location within the country. The test results show no significant difference in export performance due to firms' location. Thus the hypothesis is rejected.

$H_{1.4}$ Export performance is influenced by product type

Table 5-12 shows the distribution of participating firms according to their product type and the means of their export performance measures. Firms producing industrial products represent 57.1% of the sample and 42.2% produce consumer products. Within the durable consumer product firms 56.9% produce non-durable products, whereas 43.1% produce consumer products. To test $H_{1.4}$, a one-way ANOVA test was carried out to compare the performance measures means for firms producing industrial products, firms producing durable consumer products, and firms producing non-durable consumer products. The test results show no significant difference and thus it was concluded that product type has no influence on any of the performance measures.

Table 5-11 Firm's Geographical Location Analysis

	Frequency	Percent	Export Intensity	Export Sales Growth	Export Profitability
Eastern Province	59	38.3	22.27	2.64	2.41
Western Province	45	29.2	24.53	2.58	2.53
Central Province	50	32.5	21.06	2.50	2.46
Total	154	100.0	22.54	2.58	2.46
One-way ANOVA F value			0.359	0.263	0.389

Note: A Kruskal-Wallis Test (non-parametric) was conducted and similar results were obtained

Table 5-12 Product Type Influence Analysis

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profitability
Consumer Product (Non-durable)	37	24.2	20.47	2.51	2.54
Consumer Product (Durable)	28	18.3	18.65	2.79	2.68
Total Consumer	65	42.5	19.68	2.63	2.60
Industrial Product	88	57.5	24.73	2.53	2.35
Total	153	100.0	22.54	2.58	2.46
One-way ANOVA F value			0.879	0.535	1.617

Note: A Kruskal-Wallis Test (non-parametric) was conducted and similar results were obtained

$H_{1.5}$ The larger the size of the firm, the better its export performance

Two measures of size were used, the number of employees and the firm's capital. The description of firms' sizes for both measures and corresponding performance measures are presented in Table 5-13 and Table 5-14. In order to test the hypothesis of positive relation between firm size and export performance, a correlation test was conducted. From the results, we found no significant correlation between export performance measures and firm size measured by number of employees. However, when firm size is measured by size of capital, a significant correlation was found between firm size and both export intensity and export sales growth. The larger the firm in terms of its capital, the higher its export intensity and its export sales growth. The size of the firm has no influence on export profitability.

Table 5-13 Firm Size Analysis by No. of Employees

No. of Employees			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
From 1 - 50	23	14.9%	18.90	2.65	2.65
51-100	25	16.2%	22.49	2.32	2.40
101-200	44	28.6%	20.38	2.55	2.41
201-500	34	22.1%	26.69	2.65	2.56
More than 500	28	18.2%	23.91	2.71	2.32
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient (1-tailed) [a]			0.097	0.063	-0.076

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-14 Firm Size Analysis by Size of Capital

Capital			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
From 1 - 5 Million	20	13.0%	17.48	2.55	2.40
6-10 Million	28	18.2%	18.96	2.29	2.57
11-40 Million	45	29.2%	22.90	2.58	2.53
41- 100 Million	37	24.0%	25.62	2.49	2.41
More than 100 Million	24	15.6%	25.50	3.08	2.33
Total	154	100.0%	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient (1-tailed) [a]			**0.146***	**0.154***	-0.059

* Denotes 5% level of significance.

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{1.6}$ The more technologically advanced a firm, the better its export performance

Technological advancement of a firm is measured subjectively by two variables. The first is product technological advancement compared with the firm's competitors. The second is production systems/machines technological advancement compared with the firm's competitors. Respondents were asked to compare their firm's technological advancement of those two variables with their competitors and indicate on a five-point Likert scale whether they agree or disagree that they have a technological advantage over their competitors. The responses of those two measures and the means of firms' export performance measures are presented in Table 5-15 and Table 5-16, respectively. To test the hypothesis, a correlation test was conducted for both measures of technological advancement and export performance measures.

From the correlation test results, we find that product technological advancement positively influences export intensity. It has a significant positive correlation at 0.05 level with export intensity. The other performance measures were not influenced by product technology. On the other hand, production technological advancement was found to influence both export sales growth and export profitability. It is significantly and positively correlated with both export sales growth and export profitability at 0.05 and 0.01 levels respectively.

In conclusion, the higher the product technological advancement the higher the firm's export intensity, and the higher a firm's production technological advancement the higher its export sales growth and export profitability.

Table 5-15 Product Technological Advantage Analysis

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	3	1.9	4.10	1.67	2.33
Disagree	16	10.4	19.33	2.56	2.19
Neutral	65	42.2	20.64	2.63	2.52
Agree	44	28.6	26.22	2.43	2.39
Strongly Agree	26	16.9	25.05	2.83	2.63
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.156***	0.077	0.087

* Denotes 5% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-16 Production Technological Advantage Analysis

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	1	0.6	3.00	1.00	1.00
Disagree	19	12.3	17.37	2.26	2.26
Neutral	65	42.2	22.35	2.63	2.45
Agree	49	31.8	25.84	2.55	2.43
Strongly Agree	20	13.0	20.93	2.85	2.85
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			0.086	**0.133***	**0.195****

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{1.7}$ Firms with a unique product perform better in exporting

Table 5-17 presents the sample responses to whether their product is unique or not. A five-point Likert scale that ranges from strongly agree to strongly disagree was used. About 70% of the firms do not agree that their product is unique against 13.6% who agree that their product is unique. To test the hypothesis that product uniqueness influences export performance positively a correlation test was conducted and there was no significant correlation between product uniqueness and export performance (Table 5-17). Similarly, a one-way ANOVA test was carried out to test if there is any significant difference in export performance due to product uniqueness and the results show no significant difference. Therefore the hypothesis is rejected and it is concluded that product uniqueness has no influence on export performance.

Table 5-17 Product Uniqueness

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	35	22.7	17.67	2.69	2.40
Disagree	73	47.4	24.42	2.49	2.41
Neutral	26	16.9	23.42	2.50	2.62
Agree	17	11.1	18.63	2.59	2.53
Strongly Agree	3	1.9	48.00	4.00	2.67
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient (1-tailed)[a]			0.096	0.047	0.088
One-way ANOVA					
F value			2.122	1.727	0.466

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{1.8}$ Export performance of a firm is positively related to its product quality

The respondents were asked to indicate whether they agree or disagree that their product quality is among the highest in the industry on a five points Likert scale. The results are presented in Table 5-18. Although only 2% of the respondents either strongly disagree or disagree that their product quality is among the highest in the industry, a correlation test shows that there is a significant positive relation with all three performance measures.

The influence of product quality on export performance is very evident as all three performance measures were positively and significantly associated with higher product quality. This is a very important finding as firms could improve their export performance through improving their products' quality.

Another two variables that are related to quality were tested. They were the existence of a quality control department and ISO 9000 certification. Firms without quality control departments indicate lower commitment to quality and higher possibility of low quality products. On the other hand, ISO 9000 is a quality certification system that has gained high popularity as an important element for exporting firms. Some countries/firms mandate their suppliers to obtain ISO 9000 certificates to accept their products. Participating firms were asked whether they have an export department and whether they have obtained an ISO 9000 certification. A t-test was carried out to test if there is any significant difference in export performance between those who did have quality control departments and those who did not. The results show no significant difference (see Appendix G for test results).

Table 5-18 Product Quality

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	1	.6	3.00	1.00	1.00
Disagree	2	1.3	14.25	2.00	2.00
Neutral	10	6.5	20.48	2.40	2.30
Agree	74	48.1	20.70	2.35	2.42
Strongly Agree	67	43.5	25.42	2.90	2.57
Total	154	100.0	22.54	2.58	2.46
Correlation Test Pearson Correlation Coefficient [a]			**0.140***	**0.269****	**0.176***

** Denotes 1% level of significance (1-tailed). * Denotes 5% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{1.9}$ Export performance of a firm is positively related to the age of the firm

To test this hypothesis, respondents were asked to indicate the number of years their firm has been in business. The data were collected on a ratio scale, but for presentation it is summarised in five groups as shown in Table 5-19. About 90% of the firms are less than 30 years in business and 68% less than 20 years. There was only one firm with 60 years' experience in business. A correlation test shows no significant correlation between a firm's age and its export performance.

Table 5-19 Firm's Age Analysis

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
From 1 - 5 Years	5	3.2%	25.40	2.80	2.80
6-10 years	24	15.6%	25.60	2.38	2.21
11-20 years	76	49.4%	23.04	2.57	2.55
More than 20 years	49	31.8%	19.97	2.67	2.41
Total	154	100.0%	22.54	2.58	2.46
Correlation Test Pearson Correlation Coefficient [a] (1-tailed)			-0.104	0.110	0.050

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{1.10}$ Export performance of a firm is positively related to the firm's experience in exporting

To test this hypothesis, respondents were asked to indicate the number of years their firm has been involved in exporting. The data were collected on a ratio scale, but for presentation it is summarised in four groups as shown in Table 5-20. About 90% of responding firms have been exporting for 15 years or less. There is only one firm with 30 years' exporting experience and one with 25 years, the remaining 152 firms have exporting experience of 20 years or less. This reflects the newness of the Saudi Arabian manufacturing sector to the exporting arena. The results of a correlation test shows a significant positive correlation between a firm's export experience and export intensity at 0.01 level of significance. It also shows a significant positive correlation between export experience and export sales growth at 0.05 level of significance.

Table 5-20 Firm's Exporting Experience Analysis

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
From 1 - 5 Years	31	20.1%	17.35	2.35	2.42
6 - 10 years	61	39.6%	20.07	2.57	2.48
11- 15 years	46	29.9%	27.14	2.59	2.35
More than 15 years	16	10.4%	28.77	3.00	2.81
Total	154	100.0%	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.219****	**0.179***	0.128

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{1.11}$ Export performance of a firm is positively related to the existence of a formal export structure within the firm

To test this hypothesis, the export performance of firms that have a separate export department was compared with those who did not have a separate export department. Almost 50% of the firms did not have a separate export department (Table 5-21). A t-test was conducted to compare both groups of firms. It shows a significant difference in both export intensity and export sales growth between the two groups. Firms that have a separate export department have higher export intensity and higher export sales growth than those who did not have a separate export department. However, the existence of an export department has no influence on export profitability.

Table 5-21 Export Organisation

Having a separate export department			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
No	74	48.1	17.52	2.35	2.45
Yes	80	51.9	27.18	2.79	2.48
Total	154	100.0	22.66	2.59	2.47
T-Test t – value [a]			-3.110**	-2.684**	-0.231

** Denotes 1% level of significance.

[a] A Mann-Whitney test was carried out and similar results were found.

Table 5-22 summarises the findings and hypotheses testing of firm differential advantages. Firm location, age, product type, and product uniqueness did not show any significant influence on export performance. On the other hand, in comparing industrial sector performance, the food sector was found to have lower export intensity. This finding supports Al-Aali (1995) who found in his study of 58 food and petrochemical exporters in Saudi Arabia that petrochemical firms are more export oriented than food firms. Also, the analysis of ownership type influence revealed that joint stock firms have significantly lower export profitability. Firms' size when measured by size of capital was found to positively associate with higher export intensity and export sales growth. However, firm size when measured by number of employees show no significant association with export performance.

Product quality and firm's technological advancement significantly and positively influence all the three measures of export performance. This shows the importance of those two variables on export performance. Firms' exporting experience and the existence of export department did influence export intensity and export sales growth significantly and positively. However both variables did not have any influence on export profitability.

Table 5-22 Summary of Hypotheses Testing: Firm Differential Advantages

		Export Intensity	Export Growth	Export Profitability
$H_{1.1}$	Export performance is influenced by firm's ownership type	-	-	**Joint stock co. firms are significantly lower in profitability**
$H_{1.2}$	Export performance is influenced by type of industry	**Food Sector has a lower export intensity**	-	-
$H_{1.3}$	Export performance is influenced by firm location	-	-	-
$H_{1.4}$	Export performance is influenced by product type	-	-	-
$H_{1.5}$	The larger the size of the firm, the better its export performance	**Positive relation with size of capital**	**Positive relation with size of capital**	-
$H_{1.6}$	The more technologically advanced a firm, the better its export performance	**Positive relation** Product Tech. Advancement	**Positive relation** Production Tech. Adv.	**Positive relation** Production Tech. Adv.
$H_{1.7}$	Firms with unique products perform better in exporting	-	-	-
$H_{1.8}$	Export performance of a firm is positively related to its product quality	**Positive relation**	**Positive relation**	**Positive relation**
$H_{1.9}$	Export performance of a firm is positively related to the age of the firm	-	-	-
$H_{1.10}$	Export performance of a firm is positively related to the firm's experience in exporting	**Positive relation**	**Positive relation**	-
$H_{1.11}$	Export performance of a firm is positively related with existence of formal export structure	**Positive relation**	**Positive relation**	-

5.4.2. Marketing Strategy

Export marketing strategy represents the means of how a firm pursues its export activities to achieve its export venture objectives. There is no clear agreed upon definition for export marketing strategy (Louter et al., 1991). It includes a group of variables for which the firm management has to take decisions to expand their export venture. In this section, thirteen hypotheses related to export marketing strategy will be tested and results will be presented.

$H_{2.1}$ Firms that have an export policy perform better in exporting than firms that do not have an export policy

Responding firms were asked to answer whether the firm has a formal policy to start and expand exports or not. Table 5-23 presents their answers and corresponding means of performance measures. Most of the sample firms have a formal export policy and 12 firms did not (representing 13% of the sample).

To test if those firms with export policy have better export performance, a t-test was carried out to compare the export performance of both groups. The results are shown in Table 5-23. There is a significant difference in export intensity and export sales growth. Those firms with an export policy exhibit higher export intensity and export sales growth. However, export profitability was not influenced by the existence of a formal export policy.

Table 5-23 Export Policy

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
No Export Policy	20	13.0	8.23	1.95	2.30
Have Export Policy	134	87.0	24.67	2.67	2.49
Total	154	100.0	22.66	2.59	2.47
T-Test					
t – value [a]			**-5.175****	**-3.005****	-0.994

** Denotes 1% level of significance.

[a] A Mann-Whitney test was carried out and similar results were found.

$H_{2.2}$ Export planning positively influences export performance of a firm

Respondents were asked about how frequently they plan their export activities. Their answers were depicted on a five-point Likert scale ranging from very frequently to never. Table 5-24 summarises their answers and corresponding export performance means. To test the hypothesis, a correlation test was conducted, the results of which are presented in Table 5-24. The test results show a very significant positive correlation between export planning and both export intensity and export sales growth at 0.01 level. No correlation was found between export planning and export profitability.

It is concluded that export planning plays a very important role in export performance when measured by export intensity and export sales growth. Firms who plan their export activities were found to have higher export intensity and export sales growth.

Table 5-24 Export Planning

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Never	5	3.3	10.60	2.20	2.00
Hardly	8	5.2	4.69	1.38	2.13
Sometimes	37	24.2	12.45	2.46	2.68
Quite Frequently	51	33.3	24.51	2.65	2.33
Very Frequently	52	34.0	31.76	2.79	2.52
Total	153	100.0	22.57	2.57	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.415****	**0.248****	0.060

** Denotes 1% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{2.3}$ Product adaptation positively influences export performance

Respondents were asked to rate their product adaptation on a five-point Likert scale against three product-related aspects, namely product design, product packaging and product quality. The scale ranges from no adaptation to major adaptation. Table 5-25 summarises the responses for the three variables.

To test the hypothesis a correlation test was conducted and the results are presented in Table 5-26. From the results it was found that only product packaging is positively correlated with export intensity. However, product adaptation cannot be isolated from its type. Product type (industrial, consumer-durable, or consumer non-durable) has a major influence on product adaptation and combining all product types may give inappropriate results. To find out the influence of product adaptation on export performance for each product type, further correlation analysis was carried out for each product type. Table 5-27 shows the correlation test of non-durable consumer products

and it was found that export performance measured by export intensity is positively related to design, package and quality adaptation with a Pearson coefficient of 0.361, 0.373 and 0.345 respectively, significant at 0.05 level.

Table 5-25 Product Adaptation

	Product Design		Product Package		Product Quality	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
None	51	33.3	55	35.9	79	51.3
Minor	27	17.7	15	9.8	14	9.1
Some	45	29.4	37	24.2	18	11.7
Moderate	19	12.4	31	20.3	25	16.2
Major	11	7.2	15	9.8	18	11.7
Total	153	100.0	153	100.0	154	100.0

Table 5-26 Correlation Test of Product Adaptation

		Export Intensity	Export Sales Growth	Export Profitability
Product Design	Pearson Correlation Coefficient	0.055	0.077	0.086
Product Package	Pearson Correlation Coefficient	**0.138***	0.074	0.098
Product Quality	Pearson Correlation Coefficient	0.101	-0.012	0.057

* Denotes 5% level of significance (1-tailed).

Table 5-27 Correlation Test of Product Adaptation, Non-Durable Consumer Products

		Export Intensity	Export Sales Growth	Export Profitability
Product Design	Pearson Correlation Coefficient	**0.361***	-0.208	0.045
Product Package	Pearson Correlation Coefficient	**0.373***	-0.039	0.220
Product Quality	Pearson Correlation Coefficient	**0.345***	0.018	0.149

* Denotes 5% level of significance (1-tailed).

Table 5-28 Correlation Test of Product Adaptation, Durable Consumer Products

		Export Intensity	Export Sales Growth	Export Profitability
Product Design	Pearson Correlation Coefficient	0.060	0.206	-0.026
Product Package	Pearson Correlation Coefficient	0.172	0.224	0.003
Product Quality	Pearson Correlation Coefficient	0.056	-0.022	-0.273

Table 5-29 Correlation Test of Product Adaptation, Industrial Products

		Export Intensity	Export Sales Growth	Export Profitability
Product Design	Pearson Correlation Coefficient	-0.032	0.129	0.140
Product Package	Pearson Correlation Coefficient	0.049	0.060	0.115
Product Quality	Pearson Correlation Coefficient	0.022	-0.019	0.160

The correlation test of export performance and product adaptation for durable consumer products is presented in Table 5-28. There is no significant correlation between product adaptation and export performance Similarly, Table 5-29 presents the correlation test results for industrial product firms, and there is no significant difference in export performance due to product adaptation. For firms producing durable consumer products or industrial products, there is no association between product adaptation and export performance. Product adaptation was found to be positively associated with the export intensity of firms producing non-durable consumer products. All three variables of product adaptation were found to significantly and positively correlate with a firm's export intensity. Firms that export non-durable consumer products achieve better export intensity when they adapt their product design, packaging, and quality. This may reflect the importance of psychological and cultural differences that are more perceptible in non-durable consumer goods. This may resolve some of the controversy regarding standardisation versus adaptation. Firms may standardise industrial and durable consumer products and adapt non-durable consumer products.

$H_{2.4}$ Price adaptation positively influences export performance

The respondents were asked to rate the degree to which they adapt their export price on a five-point Likert scale that ranges from no adaptation to major adaptation. A correlation test was carried out for each product type and there was no significant correlation between price adaptation and performance measures (see Appendix G for test results).

$H_{2.5}$ The more competitive the export price, the better the export performance of a firm

To test this hypothesis, respondents were asked to indicate whether they agree or disagree that their product export price is competitive in the export market on a five-point Likert scale. Table 5-30 presents the responses on the price competitiveness.

To test the hypothesis, a correlation test was carried out to test the strength and direction of any correlation. From test results, it was found that price competitiveness has a significant positive correlation with export sales growth at 0.01 level of significance. However, price competitiveness did not show any correlation with either export intensity nor export profitability. This result may indicate that offering competitive prices in export marketing may lead to a better performance in increasing export sales and entering new export markets but it is not necessary in achieving a high level of export intensity. Moreover, there is no influence of price competitiveness on export profitability.

Table 5-30 Price Competitiveness Analysis

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	1	0.6	2.50	2.00	3.00
Disagree	16	10.4	31.94	2.19	2.25
Neutral	58	37.7	15.26	2.50	2.45
Agree	62	40.3	26.19	2.61	2.52
Strongly Agree	17	11.0	26.37	3.12	2.47
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			0.095	**0.209****	0.060

** Denotes 1% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{2.6}$ Promotion adaptation positively influences export performance

Two variables were used to test the influence of promotional activities on export performance. First, do firms conducting promotional activities in export markets perform better than those who do not? Second, do firms adapting their promotional activities to export markets perform better than those who do not? Table 5-31 presents the respondents' answers to how frequently they carry out promotional activities in export markets. Using a correlation test to test the relation between carrying promotional activities in export markets and export performance, a positive significant correlation was found with both export intensity and export sales growth (Table 5-32).

Further analysis was carried out to test if product type has any influence on the relations found, and the results of a correlation test are presented in Table 5-32. From the results, carrying out promotional activities in export markets was found to significantly

and positively correlate with export sales growth of non-durable consumer product firms. It was also found that carrying out promotional activities significantly and positively correlates with export intensity of durable consumer product firms. Moreover, for industrial product firms, carrying out promotional activities abroad was found to significantly and positively correlate with both export intensity and export sales growth. However, carrying out promotional activities in export markets has no influence on export profitability for all product types.

It is concluded that conducting promotional activities in foreign markets significantly and positively correlates with export intensity and export sales growth. Although different product types require different promotional activities, it is important for firms to conduct promotional activities in order to improve their export intensity and growth.

Table 5-31 Carrying out Promotional Activities in Export Market

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Never	23	15.1	14.43	2.61	2.52
Hardly	47	30.7	18.09	2.26	2.45
Sometimes	53	34.6	21.12	2.72	2.38
Quite Frequently	19	12.4	38.19	2.74	2.63
Very Frequently	11	7.2	40.21	3.09	2.64
Total	153	100.0	22.68	2.59	2.47

Table 5-32 Correlation Test - Carrying out Promotional Activities in Export Market (by Product)

		Export Intensity	Export Sales Growth	Export Profitability
All Products	Pearson Correlation Coefficient	**0.380****	**0.167***	0.042
Non-Durable Consumer Product	Pearson Correlation Coefficient	0.185	**0.295***	0.188
Durable Consumer Product	Pearson Correlation Coefficient	**0.477****	0.037	0.107
Industrial Product	Pearson Correlation Coefficient	**0.436****	**0.185***	-0.042

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found.

To test hypothesis 2.6, whether adapting export promotional activities influences export performance, the responses for the degree of promotional adaptation are presented in Table 5-33. A correlation test was carried out to test the strength and direction of the relationship. Table 5-34 shows the correlation test results. Both export intensity and export sales growth are positively associated with promotional activities adaptation. On the other hand, promotional activities adaptation has no influence on export profitability.

To test if promotion adaptation influence varies with product type, further correlation tests were carried out for each product type as presented in Table 5-34. From the results, it is found that for consumer products, both durable and non-durable, promotional activity adaptation has a positive association with both export intensity and export sales growth. However, for industrial products, promotional activity adaptation has no significant correlation with export performance. This would indicate the

homogeneity in international markets with regard to industrial product customers and that adaptation is not necessary to achieve higher export intensity or export sales growth. Firms selling industrial products could benefit from standardising their promotional programmes.

Table 5-33 Adapting Promotional Activities

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
None	28	18.2	15.01	2.32	2.61
Minor	35	22.7	17.92	2.31	2.31
Some	49	31.8	25.47	2.65	2.33
Moderate	27	17.5	27.21	2.81	2.59
Major	15	9.8	29.35	3.00	2.73
Total	154	100.0	22.54	2.58	2.46

Table 5-34 Correlation Test - Adapting Promotional Activities (by Product)

		Export Intensity	Export Sales Growth	Export Profitability
All Products	Pearson Correlation Coefficient	**0.245****	**0.223****	0.060
Non-Durable Consumer Product	Pearson Correlation Coefficient	**0.389****	**0.304***	0.255
Durable Consumer Product	Pearson Correlation Coefficient	**0.471****	**0.661****	0.106
Industrial Product	Pearson Correlation Coefficient	0.146	0.020	-0.060

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

$H_{2.7}$ Distribution channels adaptation positively influences export performance

To test this hypothesis, respondents were asked to rate the modification they make to their distribution channels to suit the export market needs. They were to choose on a five-point Likert scale from no modification to major modification. The relation between distribution channels adaptation and export performance was tested using a correlation test. The results show no significant correlation between distribution channels adaptation and export performance (see Appendix G for test results).

Another aspect related to distribution channel influence, is the type of channel. To study if the type of distribution channel is associated with export performance, respondents were asked to rate how frequently they use different distribution channels and their responses are presented in Table 5-35. It was found that the most frequently used channel is foreign distributor/agent followed by direct sale.

Table 5-35 Channel Type – Frequency of Usage

	Never	Hardly	Sometimes	Quite Frequently	Very Frequently	Average (1-5)
Saudi intermediaries	58.2	22.9	16.3	2.0	.6	1.64
Saudi export companies	65.4	21.6	11.0	2.0	0.0	1.50
Foreign market intermediaries	41.8	20.9	28.8	6.5	2.0	2.06
Foreign distributors/agents	12.4	5.2	22.2	34.0	26.2	3.56
Own subsidiary	66.2	7.3	16.6	5.3	4.6	1.75
Direct sale	27.4	11.8	24.2	17.6	19.0	2.89

$H_{2.8}$ Market research positively influences export performance

To test this hypothesis, participating firms were asked to indicate how frequently they conduct market research before exporting to a foreign market. Their responses were measured on a five-point Likert scale that ranges from very frequently to never. Their responses are shown in Table 5-36. The relation between frequency of conducting market research and export performance was tested using a correlation test. The results show that conducting market research prior to market entry is positively and significantly correlated with both export intensity and export sales growth.

Conducting market research before entering a new export market shows to be an important task that correlates with higher export intensity and export sales growth. It is the first step in exploring a new export venture and was also found to be an important step.

Table 5-36 Conducting Market Research Prior to Foreign Market Entry

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Never	12	7.9	12.38	2.25	2.25
Hardly	16	10.5	10.41	2.31	2.50
Sometimes	38	25.0	18.11	2.42	2.29
Quite Frequently	52	34.2	28.45	2.71	2.54
Very Frequently	34	22.4	27.42	2.68	2.59
Total	152	100.0	22.47	2.55	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.302****	**0.155***	0.124

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{2.9}$ Export performance is positively influenced by the number of products exported

Responding firms were asked to indicate how many main products they export. Table 5-37 shows the breakdown of the respondents' answers. There are 20 firms (13%) who export only one product and about 62% of the sample firms export five products or less. To test the hypothesis, a correlation test between number of products exported and the three export performance measures was performed. However, there were very few firms who have many products, which makes the data unbalanced. For this reason, the analysis was carried out using the natural logarithm of the actual number of products.

Table 5-38 shows the results of a correlation test. From the results, it can is be seen that product diversification strategy has a positive and significant correlation with export profitability. The more products a firm exports the higher its export profitability. However, no correlation was found between number of products exported and either export intensity or export sales growth.

Table 5-37 Number of Products Exported

Number of Products Exported	Frequency	Percent	Cum. Percent
1 Product	20	13.0	13.0
2-5 Products	75	48.7	61.7
6-10 Products	33	21.4	83.1
11-30 Products	21	13.6	96.7
31-105 Products	5	3.3	100.0
Total	154	100.0	

Table 5-38 Correlation Test - Number of Products Exported

		Export Intensity	Export Sales Growth	Export Profitability
Number of Products Exported	Pearson Correlation Coefficient	0.054	0.131	**0.242****

** Denotes 1% level of significance (1-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found.

$H_{2.10}$ Export performance is positively influenced by the number of export markets covered

Respondents were asked to indicate how many countries their firm currently handles. Their responses are shown in Table 5-39. The relation between the number of export markets and export performance was analysed using a correlation test. The results are presented in Table 5-40. A strong and significant positive correlation was found between the number of export markets and both export intensity and export sales growth. The more markets a firm handles the higher its export intensity and its export sales growth. On the other hand, export profitability has no significant correlation with the number of export market a firm handles.

Table 5-39 Number of Export Markets

Number of Export Markets	Frequency	Percent	Cum. Percent
1-5 Countries	48	31.2	31.2
6-10 Countries	61	39.6	70.8
11-20 Countries	34	22.1	92.9
21-60 Countries	11	7.1	100.0
Total	154	100.0	

Note: The data collected as ratio data but grouped in this table for presentation purpose.

Table 5-40 Correlation Test - Number of Export Markets

		Export Intensity	Export Sales Growth	Export Profitability
Number of Export Markets	Pearson Correlation Coefficient	**0.560****	**0.313****	0.073

** Denotes 1% level of significance (1-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found.

$H_{2.11}$ The level of support provided to foreign distributors/customers positively influences export performance

To test $H_{2.11}$, five elements of distributor/customer support were selected and respondents were asked to rate how frequently they rely on each of them. Table 5-41 shows these elements and their average response. They were measured on a five-point Likert scale ranging from very frequently to never. From the table, we find that catalogues and brochures represent the highest element used by Saudi Arabian exporters to support their foreign distributors/customers, as its average is 4.07. On the other hand, training represents the lowest element with an average of 2.37. The relation was tested using a correlation test and the results are presented in Table 5-42. From the results we find that all five elements are positively correlated with export intensity. Similarly, export sales growth is correlated with all elements except sharing costs of promotional activities. On the other hand, none of the elements is correlated with export profitability.

In order to find which of the five elements explain most of the variability in each of the export performance measures, a stepwise regression analysis was conducted including all elements. Each performance measure was used as a dependent variable and the five elements as independent variables (see Appendix G for analysis). Senior management visits and after sale services explain 15.6% of export intensity variability.

Also, senior management visits explain 10.7% of export sales growth variability. Thus, senior management visits to foreign markets prove to be an important element in supporting foreign distributors/customers. They are positively and significantly correlated with export intensity and export sales growth. From the sample firms, there were 12 firms whose senior management never visited their foreign distributors/customers. The average export intensity and export sales growth of those 12 firms were 8.10% and 1.92, respectively.

Table 5-41 Support to Foreign Distributor/Customer – Frequencies (Percent)

	Never	Hardly	Sometimes	Quite Frequently	Very Frequently	**Average**
Senior Management Visits	7.8	11.2	33.6	27.0	20.4	**3.41**
Training	30.5	26.0	23.4	16.2	3.9	**2.37**
After Sales Services	13.2	11.3	25.2	34.4	15.9	**3.28**
Catalogues & Brochures	4.0	1.3	19.2	34.4	41.1	**4.07**
Sharing Costs of Promotional Activities	19.9	16.6	30.5	24.5	8.5	**2.85**

Table 5-42 Correlation Test - Support to Foreign Distributors/Customers

		Export Intensity	Export Sales Growth	Export Profitability
Senior Management Visits	Pearson Correlation Coefficient	**0.363****	**0.342****	0.101
Training	Pearson Correlation Coefficient	**0.241****	**0.220****	0.133
After Sales Services	Pearson Correlation Coefficient	**0.329****	**0.139***	0.011
Catalogues & Brochures	Pearson Correlation Coefficient	**0.176***	**0.140***	0.026
Promotional Activities	Pearson Correlation Coefficient	**0.226****	0.050	-0.008

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found.

$H_{2.12}$ Export opportunities exploration approach influences export performance

To test the hypothesis, five export opportunities exploration elements were selected and respondents were asked to rate how frequently they rely on each of them. Table 5-43 shows these elements and the average response of Saudi Arabian exporters. They were measured on a five-point Likert scale ranging from very frequently to never. The responses show that the average ranges from 2.25 for Internet advertising to 3.37 for sending staff to visit foreign markets. To test the hypothesis and find if any of the elements influences export performance, a correlation test was conducted including the three measures of export performance. The test results are shown in Table 5-44. It was found that export performance measured by export intensity is significantly and positively correlated with trade shows, trade missions, and staff visits. Also, export sales growth was found to correlate significantly with trade missions and staff visits. Finally, export profitability significantly and positively correlates only with trade shows.

In order to find which elements of export opportunities exploration variables explain more variations in export performance, a stepwise regression analysis was conducted for each export performance measure including the five elements (see Appendix G for analysis). It is found that export intensity is explained by staff visits and trade shows with adjusted R^2 of 0.123. Export sales growth is explained only by staff visits with adjusted R^2 of 0.123. Finally, export profitability is explained only by trade shows with adjusted R^2 of 0.023.

Table 5-43 Export Opportunities Exploration – Frequencies (Percent)

	Never	Hardly	Sometimes	Quite Frequently	Very Frequently	Average
Unsolicited Orders	7.8	17.6	44.5	22.9	7.2	**3.04**
Trade Shows	9.9	16.4	38.2	26.3	9.2	**3.09**
Trade Missions	21.7	27.7	36.8	11.2	2.6	**2.45**
Advertising in Journals	13.7	24.2	35.3	19.0	7.8	**2.83**
Internet Advertisement	35.1	24.7	24.0	12.3	3.9	**2.25**
Sending own staff to visit foreign markets	10.4	9.2	28.8	35.9	15.7	**3.37**

Table 5-44 Correlation Test - Export Opportunities Exploration

		Export Intensity	Export Sales Growth	Export Profitability
Unsolicited Orders	Pearson Correlation Coefficient	-0.115	-0.124	-0.040
Trade Shows	Pearson Correlation Coefficient	**0.251****	0.133	**0.172***
Trade Missions	Pearson Correlation Coefficient	**0.267****	**0.171***	0.096
Advertisement in Journals	Pearson Correlation Coefficient	0.113	0.080	0.089
Internet Advertisement	Pearson Correlation Coefficient	0.145	0.132	0.122
Staff Visits	Pearson Correlation Coefficient	**0.334****	**0.261****	0.101

** Denotes 1% level of significance (2-tailed).

* Denotes 5% level of significance (2-tailed).

$H_{2.13}$ Export performance is positively influenced by the degree of management control systems

To test the hypothesis, two activities of control were selected, and exporters were asked to indicate the extent to which they carry each of these activities. The first activity was the preparation of export sales targets for each export country and the second was how closely they monitor foreign agent/distributor performance. Each variable was measured on a five-point Likert scale. The responses and the corresponding performance measures are shown in Table 5-45 and Table 5-46 respectively.

A correlation test was carried out to test the relation between each activity and the three export performance measures. Both activities were significantly and positively correlated with export intensity and export sales growth. However, export profitability was not correlated with any of them. It is concluded that the higher a firm controls its export activities by setting sales targets for each export market and monitoring their distributors' performance, the higher its export intensity and export sales growth.

Table 5-45 Preparing Export Sales Targets for Each Export Country

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Never	11	7.2	9.07	1.91	2.09
Hardly	21	13.6	13.56	2.48	2.81
Sometimes	30	19.5	18.38	2.53	2.40
Quite Frequently	49	31.8	28.69	2.71	2.51
Very Frequently	43	27.9	26.26	2.67	2.37
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.294****	**0.165***	-0.030

** Denotes 1% level of significance (1-tailed).

* Denotes 5% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-46 Closely Monitoring Foreign Agent/Distributor Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Never	14	9.1	12.36	1.71	2.36
Hardly	9	5.8	13.73	1.78	2.33
Sometimes	34	22.1	17.58	2.50	2.50
Quite Frequently	47	30.5	21.92	2.70	2.49
Very Frequently	50	32.5	30.92	2.90	2.46
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.310****	**0.358****	0.036

** Denotes 1% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-47 summarises the findings of hypotheses related to export marketing strategy. Export policy, export planning, carrying out and adapting promotional programmes, conducting market research prior to market entry, market diversification, supporting foreign distributor, and closely monitoring the performance of foreign distributor were found to positively associate with both export intensity and export sales growth. Product adaptation was found to be important only for non-durable consumer products and it was positively correlated with export intensity. Offering competitive prices was found to positively influence export sales growth. Exploring export market opportunities by sending staff to foreign markets was found to positively influence both export intensity and export sales growth. With regard to export profitability, only two variables were found to positively influence export profitability: the number of products exported and participation in trade shows.

Table 5-47 Summary of Hypotheses Testing: Export Marketing Strategy

		Export Intensity	Export Growth	Export Profitability
$H_{2.1}$	Firms that have an export policy perform better in exporting than firms that do not have an export policy	**Positive relation**	**Positive relation**	-
$H_{2.2}$	Export planning positively influences the export performance of a firm	**Positive relation**	**Positive relation**	-
$H_{2.3}$	Product adaptation positively influences export performance	**Positive relation for Non-durable consumer products only.**	-	-
$H_{2.4}$	Price adaptation positively influences export performance	-	-	-
$H_{2.5}$	The more competitive the export price, the better the export performance of a firm	-	**Positive relation**	-
$H_{2.6}$	Promotional adaptation positively influences export performance	**Positive relation** Except for industrial products	**Positive relation** Except for industrial products	-
$H_{2.7}$	Distribution channel adaptation positively influences export performance	-	-	-
$H_{2.8}$	Market research positively influences export performance	**Positive relation**	**Positive relation**	-
$H_{2.9}$	Export performance is positively influenced by the number of products exported	-	-	**Positive relation**
$H_{2.10}$	Export performance is positively influenced by the number of export markets covered	**Positive relation**	**Positive relation**	-
$H_{2.11}$	The level of support provided to foreign distributors positively influences export performance	**Positive relation**	**Positive relation**	-
$H_{2.12}$	Export opportunities exploration approach influences export performance	**Positive relation with staff visits and trade shows**	**Positive relation with staff visits**	**Positive relation with trade shows**
$H_{2.13}$	Export performance is positively influenced by the degree of management control systems	**Positive relation**	**Positive relation**	-

5.4.3. Management Quality

The decision-makers' quality is an important element in firms' export performance. Management characteristics, aspirations, expectations, and commitment are significant variables in how a firm starts and expands its export marketing activities. In previous chapter, four hypotheses related to management quality were developed. The first was related to management's characteristics such as age, experience, and education. The other three are related to management aspirations, expectations, and commitment. In this section each of the hypotheses will be tested and results will be presented.

$H_{3.1}$ Export performance is influenced by management characteristics

The first hypothesis in management quality suggests that export performance is influenced by different management characteristics. There are many characteristics that could be studied and related to export performance. However, based on the literature reviewed, this study covers the following characteristics: age, education, experience in current position, experience with the firm, experience in international business, foreign language proficiency, frequency of travel, travel enjoyability, perception of cultural differences, and nationality. The nationality variable was included because in Saudi Arabia the majority of the labour force in the private sector are non-nationals, so it is interesting to know if the nationality of the firm's executives has any influence on its export performance.

The characteristics of participating managers are presented in Table 5-48. In order to test the hypothesis for each variable, a one-way ANOVA test and a correlation test were conducted and their results are presented in Table 5-49. The following is a presentation of the results for each variable.

From the analysis, it can be seen that manager's age, experience in current position, experience with the firm, experience in international business, nationality, travel feelings, and feelings about cultural interactions did not have any influence on export performance. These variables did not show any correlation with export performance measures and there was no significant difference in export performance measures due to these variables.

On the other hand, manager's education did show a significant positive correlation with export intensity with a Pearson correlation coefficient of 0.162 significant at 0.05 level. With regards to export growth, the one-way ANOVA test showed a significant difference, however, there was no correlation between export sales growth and manager's education. Further analysis using LSD *post hoc* tests revealed that there is a significant difference between export sales growth for managers with a Masters or Ph.D. degree and those with a Bachelors degree. Managers with a Masters or Ph.D. degree had an average of 2.91 for export sales growth whereas those with a Bachelors degree had 2.41. However, there is no trend as firms with managers having a Bachelors degree scored the lowest average of export sales growth.

Table 5-48 Managers' Characteristics

		Frequency	Percent	Cum. Percent
Age	25 – 35 Years	36	23.8%	23.8%
	36 – 45 Years	70	46.4%	70.2%
	46 – 55 Years	34	22.5%	92.7%
	56 – 65 Years	11	7.3%	100.0%
	Total	151	100.0%	
No. Years in Current Position	Less than 2 Years	14	9.3%	9.3%
	2-5 years	59	39.1%	48.3%
	6-10 years	37	24.5%	72.8%
	11-20 years	37	24.5%	97.4%
	More than 20 years	4	2.6%	100.0%
	Total	151	100.0%	
Years with the firm	Less than 1 year	7	4.6	4.6
	1-3 years	19	12.4	17.0
	4-10 years	60	39.2	56.2
	11-15 years	34	22.2	78.4
	16-20 years	22	14.4	92.8
	More than 20 years	11	7.2	100.0
	Total	153	100.0	
International Experience	Less than 2 years	9	5.8	5.8
	2-5 years	27	17.5	23.4
	6-10 years	44	28.6	51.9
	11-15 years	38	24.7	76.6
	16-20 years	20	13.0	89.6
	More than 20 years	16	10.4	100.0
	Total	154	100.0	
Education	High School or Below	4	2.6	2.6
	Some College/ Diploma	13	8.6	11.2
	Bachelors Degree	103	67.8	78.9
	Masters or Ph.D. Degree	32	21.0	100.0
	Total	152	100.0	

Table 5-48 Continued...

		Frequency	Percent	Cum. Percent
Nationality	Saudi Arabian	84	55.2	55.3
	Arab	58	38.2	93.4
	Asian	3	2.0	95.4
	West European/North American	7	4.6	100.0
	Total	152	100.0	
Travel Frequency	No travel	5	3.3	3.3
	1-5 times	70	45.7	49.0
	6-10 times	47	30.7	79.7
	11-15 times	18	11.8	91.5
	More than 15 times	13	8.5	100.0
	Total	153	100.0	
Travel Feeling	Very boring	3	1.9	1.9
	Boring	2	1.3	3.2
	Neutral	52	33.8	37.0
	Enjoyable	70	45.5	82.5
	Very enjoyable	27	17.5	100.0
	Total	154	100.0	
Cultural Interaction Feeling	Very boring	2	1.3	1.3
	Boring	0	0	1.3
	Neutral	23	15.1	16.4
	Enjoyable	86	56.6	73.0
	Very enjoyable	41	27.0	100.0
	Total	152	100.0	
English Language Proficiency	Fair	9	5.9	5.8
	Good	43	27.9	33.8
	Excellent	102	66.2	100.0
	Total	154	100.0	
Number of Languages	1 Language	122	79.2	79.2
	2 Languages	27	17.5	96.7
	3 Languages	5	3.3	100.0
	Total	154	100.0	

Table 5-49 One-way ANOVA and Correlation Test – Managers' Characteristics

Characteristic	Test	Export Intensity	Export Sales Growth	Export Profitability
Age	ANOVA	0.217	0.617	0.942
	Pearson Correlation Coefficient	0.036	-0.008	-0.007
No. Years in Current Position	ANOVA	0.386	0.507	0.149
	Pearson Correlation Coefficient	-0.134	-0.056	-0.075
Years with the firm	ANOVA	0.430	0.946	0.879
	Pearson Correlation Coefficient	-0.052	0.032	-0.067
International Experience	ANOVA	0.177	0.798	0.877
	Pearson Correlation Coefficient	0.067	0.038	0.078
Education	ANOVA	0.226	**0.034**	0.927
	Pearson Correlation Coefficient	**0.162***	0.017	0.027
Nationality	ANOVA	0.783	0.766	0.093
	Pearson Correlation Coefficient	N.A.	N.A.	N.A.
Travel Frequency	ANOVA	**0.015**	**0.007**	0.376
	Pearson Correlation Coefficient	**0.224****	**0.260****	0.063
Travel Feeling	ANOVA	0.886	0.131	0.551
	Pearson Correlation Coefficient	0.056	0.100	0.046
Cultural Interaction Feeling	ANOVA	0.917	0.324	0.354
	Pearson Correlation Coefficient	0.010	0.045	0.031
English Language Proficiency	ANOVA	**0.010**	0.170	0.528
	Pearson Correlation Coefficient	**0.228****	0.151	0.044
Number of Languages	ANOVA	**0.049**	0.079	0.464
	Pearson Correlation Coefficient	**0.191***	**0.161***	0.066

** Denotes 1% level of significance (2-tailed).

* Denotes 5% level of significance (2-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found. N.A. Not Applicable

Managers who travel more frequently proved to have better export intensity and export sales growth. A one-way ANOVA test showed a significant difference in export intensity and export sales growth among firms due to the travel frequency of their management. Further analysis, using a correlation test, showed a significant positive correlation between both export intensity and export sales growth and manager's frequency of travel. The higher the travel frequency the better the performance. However, travel frequency did not show any influence on export profitability.

Managers' competence in foreign languages also shows a positive association with export performance. This was measured by the manager's proficiency in English as an international language and by the number of foreign languages he/she speaks well. English language proficiency was found to significantly and positively correlate with export intensity but has no association with export sales growth and export profitability. The number of languages a firm's manager speaks well is associated with export performance measured by export intensity and export sales growth. However, it has no influence on export profitability. The number of languages was positively and significantly correlated with both export intensity and export sales growth. Table 5-48 shows that 3.2% of the sample managers speak 3 foreign languages and 17.5% speak two foreign languages, whereas 79.2% speak only English as a foreign language.

Managers' education, foreign language proficiency, and frequency of travel were found to positively influence export intensity and export sales growth. On the other hand, none of the manager's characteristics showed any influence on export profitability.

$H_{3.2}$ Export performance is influenced by management aspirations

There are different types of aspirations a manager may possess. In this study four types of aspirations were covered: aspirations for sales growth, aspirations for profit, aspirations for investment security, and aspirations for market security. Table 5-50 presents the results of how important sales growth is to responding managers. It is measured in a five-point Likert scale ranging from not important to extremely important. None of the managers rated this variable as not important or slightly important. Almost 70% of respondents rated sales growth as extremely important. To test if this type of aspiration influences export performance, a correlation test was conducted and there was no significant correlation between sales growth aspirations and export performance. Therefore, it is concluded that management aspirations for sales growth have no influence on export performance.

Table 5-51 presents the sample managers' evaluation of their profit aspirations. None of the managers rated this variable as not important and 65% of them rated it as extremely important. A correlation test was carried out to see if there is any correlation between managers' profit aspirations and export performance. From the results, there is no correlation between a manager's profit aspirations on any of the export performance measures. The third type of aspiration is investment security aspirations. Managers with high investment security aspirations are expected to be reluctant to take high-risk decisions. Table 5-52 presents the replies of responding managers about how important investment security is to them. Similarly to the previous variables, correlation test results show no influence of managers' investment security aspirations on any of the export performance measures.

Table 5-50 Management Sales Growth Aspirations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Not Important	0	0			
Slightly Important	0	0			
Important	10	6.5	31.36	2.80	2.20
Very Important	35	22.9	22.23	2.71	2.54
Extremely Important	108	70.6	21.94	2.52	2.47
Total	153	100.0	22.62	2.58	2.47
Correlation Test					
Pearson Correlation Coefficient (2-tailed) [a]			-0.088	-0.095	0.041

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-51 Management Profitability Aspirations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Not Important	0	0			
Slightly Important	1	.7	45.00	3.00	2.00
Important	10	6.5	20.53	2.90	2.60
Very Important	43	28.1	22.47	2.63	2.37
Extremely Important	99	64.7	22.67	2.53	2.51
Total	153	100.0	22.62	2.58	2.47
Correlation Test					
Pearson Correlation Coefficient (2-tailed) [a]			-0.010	-0.095	0.040

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-52 Management Investment Security Aspirations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Not Important	1	.7	7.00	5.00	3.00
Slightly Important	3	2.0	18.67	2.67	3.00
Important	21	13.7	20.81	2.33	2.52
Very Important	64	41.8	23.10	2.66	2.38
Extremely Important	64	41.8	23.16	2.55	2.52
Total	153	100.0	22.62	2.58	2.47
Correlation Test					
Pearson Correlation Coefficient (2-tailed) [a]			0.058	-0.038	-0.032

[a] A Spearman's rho coefficient was calculated and similar results were found.

Finally, the last type of aspiration is market security aspirations. Managers with high market security aspirations are expected to increase the number of markets their firm serves to minimize fluctuations in demand. Table 5-53 presents how important this type of aspiration is to the sample's managers. A correlation test was conducted to explore any relation between managers' market security aspirations and export performance. The test results show a positive and significant correlation between market security aspirations and both export intensity and export sales growth. On the other hand, export profitability was not associated with managers' market security aspirations.

Of the four types of aspirations, only market security aspirations were found to positively and significantly correlate with export intensity and export sales growth. Managers with high aspirations for securing the markets of their products may be more committed and compete to enter more new export markets. This leads with other variables to a better export intensity and export sales growth, but not export profitability.

Table 5-53 Management Market Security Aspirations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Not Important	3	2.0	4.00	2.33	2.33
Slightly Important	3	2.0	5.00	1.33	2.33
Important	31	20.4	20.34	2.39	2.68
Very Important	49	32.2	22.24	2.59	2.37
Extremely Important	66	43.4	25.69	2.71	2.45
Total	152	100.0	22.65	2.57	2.47
Correlation Test					
Pearson Correlation Coefficient [a]			**0.191***	**0.168***	-0.049

* Denotes 5% level of significance (2-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{3.3}$ Export performance is influenced by management expectations of export marketing outcome

There are many aspects of a manager's expectations. A manager's export expectations refer to what a manager would expect export activities to lead his firm to. The above hypothesis will be tested using managers' expectations concerning growth, profitability, market security, and firm image improvement. In all of these four variables, respondents were asked to rate how strongly they agree or disagree that exports will lead to each outcome. Their responses were measured on a five-point Likert scale that ranges from strongly agree to strongly disagree.

The first variable is sales growth expectations. Table 5-54 presents respondents' answers to how strongly they agree or disagree that exports will lead to sales growth. Most of the sample managers agree (strongly agree and agree) that exports are expected to increase firm's total sales (98.7% of the sample). A correlation test shows no significant correlation between growth expectations and export performance. Thus, a manager's expectations that exports will lead to firm growth do not influence export performance. The explanation for this finding is that almost all managers are expecting to increase their firms' sales through exporting and such expectations do not influence the export performance.

The second variable in management expectations is profitability expectations. Table 5-55 presents the responses of sample managers concerning their profitability expectations about exporting outcome and their firm's corresponding performance measures. To test the influence of export profitability expectations on export

performance, a correlation test was conducted. As shown in Table 5-55 a significant positive correlation was found between managers' profitability expectations and export profitability. The higher the profitability expectations the higher the firm's export profitability. Managers' profitability expectations show no relation with either export intensity or export sales growth. This is an interesting finding, as it indicates that when managers expect exports to lead to profitability, it does. It could be a result of their expectations that they take the decisions that make exports profitable.

Table 5-54 Growth Expectations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	0	0			
Disagree	0	0			
Neutral	2	1.3	9.50	2.00	3.00
Agree	47	30.5	20.10	2.66	2.40
Strongly Agree	105	68.2	23.88	2.55	2.48
Total	154	100.0	22.54	2.58	2.46
Correlation Test Pearson Correlation Coefficient [a]			0.109	-0.019	0.009

* Denotes 5% level of significance (2-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-55 Profitability Expectations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	0	0			
Disagree	2	1.3	17.00	2.00	1.50
Neutral	12	7.8	31.94	2.67	2.08
Agree	65	42.2	19.87	2.54	2.42
Strongly Agree	75	48.7	23.49	2.61	2.59
Total	154	100.0	22.54	2.58	2.46
Correlation Test Pearson Correlation Coefficient [a]			-0.009	0.036	**0.218****

** Denotes 1% level of significance (2-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Market security expectations refers to managers' expectations of whether exporting will secure the markets of firm's products by diversifying in international markets. The responses of participating managers are presented in Table 5-56. Most of the responding managers expect exporting to lead to market security (about 86% of the respondents agree or strongly agree). On the other hand, only 5% of the responding managers did not agree that exporting will lead to market security. A correlation test was conducted to find any influence of market security expectations on export performance. The results (Table 5-56) show no significant correlation between market security expectations and export performance measures.

The fourth variable in management expectations is how managers expect exports to improve their firm's image. Table 5-57 shows the responses of how the sample's managers agree or disagree that exports would improve their firm's image. A correlation test was conducted to find if such expectations would lead to higher or lower export performance. The correlation test results (Table 5-57) show both export intensity and export sales growth to positively and significantly correlate with image improvement expectations. The higher the management expectations that exports will improve their firm's image, the higher their export intensity and export sales growth. This finding is important, as it clarifies the importance of firms' image expectations on export performance. Further research is needed to explore this interesting relation. On the other hand, there was no correlation between a firm's image improvement expectations and export profitability.

Table 5-56 Market Security Expectations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	0	0			
Disagree	8	5.2	18.50	2.50	2.63
Neutral	14	9.1	19.16	2.14	2.29
Agree	59	38.3	23.94	2.59	2.37
Strongly Agree	73	47.4	22.49	2.66	2.55
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient (2-tailed) [a]			0.042	0.100	0.062

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-57 Firm's Image Improvement Expectations and Export Performance

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	0	0			
Disagree	4	2.6	14.00	1.75	2.50
Neutral	14	9.2	16.96	2.00	2.50
Agree	55	36.2	19.32	2.36	2.35
Strongly Agree	79	52.0	25.50	2.85	2.49
Total	152	100.0	22.18	2.57	2.44
Correlation Test					
Pearson Correlation Coefficient [a]			**0.181***	**0.311****	0.033

** Denotes 1% level of significance (2-tailed).

* Denotes 5% level of significance (2-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

$H_{3.4}$ Export performance is positively influenced by management commitment to export marketing

Many measures of commitment have been discussed in the export literature. Export planning and export organisation are considered by some researchers to be elements of management commitment. However, in this study, export planning was covered under export marketing strategy and the existence of an export department under firm competitive advantage. In this section, two variables of management commitment were used to test management commitment influence on export performance; time devoted by management to develop export sales and management willingness to allocate resources to explore and develop export markets.

The first variable is related to the amount of time a manager devotes to managing and handling export activities. This is measured by asking responding managers to indicate how many hours per month they spend on developing export sales. Table 5-58 presents the respondents' answers. To test the strength of the relation between management time devoted to export development and export performance, a correlation test was carried out. The results (Table 5-58) show that both export intensity and export sales growth are significantly and positively correlated with this variable. The more time a firm's manager spends on developing export sales, the higher the firm's performance measured by export intensity and export sales growth. There was no significant correlation between export profitability and time spent by management.

The second variable in management commitment is their willingness to allocate resources to explore and develop export markets. This was measured on a five-point

Likert scale ranging from completely willing to not willing. The answers of responding managers are presented in Table 5-59. A correlation test was conducted to test the relation between this variable and export performance measures and the results show that it has a significant positive correlation with export intensity.

Table 5-58 Management Time Devoted to Exporting

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Less than 10 hrs	28	18.5	10.32	2.04	2.43
10-20 hrs	37	24.5	14.83	2.41	2.46
21-40 hrs	29	19.2	21.94	2.62	2.45
41-60 hrs	23	15.2	28.71	2.57	2.17
61-100 hrs	9	6.0	39.33	3.67	3.00
More than 100 hrs	25	16.6	35.48	3.04	2.60
Total	151	100.0	22.35	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.470****	**0.345****	0.077

** Denotes 1% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-59 Management Willingness to Allocate Resources

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Not Willing	5	3.2	9.94	2.60	2.80
Slightly Willing	18	11.7	13.09	2.06	2.39
Willing	45	29.2	19.20	2.58	2.49
Mostly Willing	44	28.6	29.58	2.84	2.41
Completely Willing	42	27.3	24.28	2.52	2.48
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			**0.223****	0.094	-0.024

** Denotes 1% level of significance (1-tailed).

[a] A Spearman's rho coefficient was calculated and similar results were found.

Table 5-60 summarises the findings of hypotheses related to management quality. Of the 11 variables related to management characteristics, only four variables are shown to relate to export performance. Management education, English language proficiency, number of languages a manager speaks well, and frequency of travel were found to positively and significantly correlate with export intensity. Number of languages a manager speaks well and frequency of travel were found to positively and significantly correlate with export sales growth. None of the variables has any association with export profitability.

With regard to management aspirations, only management aspirations for market security was found to positively and significantly correlate with both export intensity and export sales growth. Moreover, management expectations for firm's image improvement were found to positively and significantly correlate with both export intensity and export sales growth. Both variables of management commitment, management time and willingness to allocate resources, were found to positively and significantly correlate with export intensity. However only management time devoted to export related activities was found to correlate positively and significantly with export sales growth.

It is important to note that there is hardly any relation between management quality and export profitability with the exception of manager's profitability expectations. It was found that firms with managers having high expectations about export profitability realise higher export profitability.

Table 5-60 Summary of Hypotheses Testing: Management Quality

			Export Intensity	Export Growth	Export Profitability
$H_{3.1}$	Manager's Characteristics	Age Years in current position Experience with firm Experience in international business Nationality Travel enjoyability Perception of cultural difference	-	-	-
		Education	**Positive relation**	Managers with bachelors degrees are significantly lower than managers with a masters or Ph.D.	-
		Frequency of travel	**Positive relation**	**Positive relation**	
		English language proficiency	**Positive relation**	-	-
		Number of foreign languages	**Positive relation**	**Positive relation**	-
$H_{3.2}$	Manager's Aspirations	Sales growth aspirations	-	-	-
		Profitability aspirations	-	-	-
		Investment security aspirations	-	-	-
		Market security aspirations	**Positive relation**	**Positive relation**	-
$H_{3.3}$	Manager's Expectations	Growth expectations	-	-	-
		Profitability expectations	-	-	**Positive relation**
		Market security expectations	-	-	-
		Firm image improvement	**Positive relation**	**Positive relation**	-
$H_{3.4}$	Manager's Commitment	Management time spent on export related activities	**Positive relation**	**Positive relation**	-
		Willingness to allocate resources	**Positive relation**	-	-

5.4.4. Local Market Environment

In Chapter 3, the importance of local market variables such as size, competitiveness, growth, and profitability was discussed. Some researchers found such variables to influence export performance of firms either as a stimulus or as a deterrent (Pak, 1991). Firms with small market size or a highly competitive market would look for new markets to expand into, and those firms within steady or declining markets would look for new markets to grow in. Other firms may seek new profitable markets as the profitability in the local market declines. All these variables may play an important role in a firm's export performance. For this study the following hypotheses were proposed:

$H_{4.1}$ Export performance is influenced by local market size

$H_{4.2}$ Export performance is influenced by local market competitiveness

$H_{4.3}$ Export performance is influenced by local market growth

$H_{4.4}$ Export performance is influenced by local market profitability

To test these hypotheses, managers were asked to rate their local market environment on a five-point Likert scale. They were asked to rate from strongly agree to strongly disagree against each market condition. For $H_{4.1}$, they were asked if they agree that the local market for their products is large, and their responses are presented in Table 5-61. For $H_{4.2}$, they were asked if they agree that the competition in their local market is limited, and their responses are presented in Table 5-62. For $H_{4.3}$, they were asked if they agree that the demand growth for their products in their local market is high, and their responses are presented in Table 5-63. And for $H_{4.4}$, they were asked if they agree that the profitability in their local market is high and their responses are shown in Table 5-64.

A correlation test was conducted to test the correlation between local market variables and export performance measures. The test results are presented in Table 5-65. Local market size was found to negatively and significantly correlate with export intensity. The larger the local market size the less the export intensity a firm has. Local market size was not associated with either export sales growth or export profitability.

Moreover, with the local market competition variable an interesting relation was found. A significant negative correlation was found between local market competition and both export intensity and export sales growth[1]. Firms were expected to expand their exports as the competition in local markets increased, however it was the other way round. Firms who have low market competition were enjoying high export intensity and export sales growth. There could be other reasons for this finding, such as product related factors that minimise the competition locally and internationally. This will be discussed in the next chapter.

Local market growth was found to correlate negatively and significantly with export intensity. The higher the local market growth the lower the export intensity. This was expected, as firms having high local market growth would tend to concentrate on expanding their local market rather than developing new export markets. On the other hand, it was found to positively correlate with export profitability. The higher the local market growth the higher the export profitability. With regard to export sales growth, there was no significant correlation with local market growth.

[1] Note the question was reversed, which explains the positive sign of Pearson correlation coefficient. The relation is negative as export intensity and growth increase with less competition in local market.

Finally, local market profitability was found to correlate positively and significantly with export profitability. Firms that have high local market profitability were found to have higher export profitability. However, local market profitability did not have any significant correlation with either export intensity or export sales growth.

Table 5-61 Large Local Market Size for Firm's Products – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	5	3.3	19.70	2.00	2.00
Disagree	23	15.1	36.16	2.96	2.43
Neutral	35	23.0	21.28	2.49	2.26
Agree	72	47.4	20.90	2.50	2.54
Strongly Agree	17	11.2	16.60	2.76	2.65
Total	152	100.0	22.77	2.58	2.45

Table 5-62 Limited Competition in Local Market – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	60	39.5	19.50	2.23	2.42
Disagree	54	35.5	23.02	2.63	2.50
Neutral	15	9.9	24.09	3.20	2.67
Agree	19	12.5	28.90	2.95	2.32
Strongly Agree	4	2.6	34.50	3.00	2.25
Total	152	100.0	22.77	2.58	2.45

Table 5-63 High Growth in Local Market – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	6	4.0	33.67	2.17	2.33
Disagree	43	28.5	30.92	2.60	2.40
Neutral	49	32.4	19.64	2.53	2.29
Agree	45	29.8	18.02	2.56	2.64
Strongly Agree	8	5.3	19.38	3.25	2.87
Total	151	100.0	22.91	2.58	2.46

Table 5-64 High Profitability in Local Market – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	29	19.1	20.30	2.59	2.28
Disagree	64	42.1	25.60	2.44	2.39
Neutral	46	30.2	21.53	2.70	2.61
Agree	13	8.6	18.81	2.85	2.62
Strongly Agree	0	0.0			
Total	152	100.0	22.77	2.58	2.45

Table 5-65 Correlation Test of Local Market Environment Variables

		Export Intensity	Export Sales Growth	Export Profitability
Large Local Market Size for Firm's Products	Pearson Correlation Coefficient	**-0.207***	-0.015	0.153
Limited Competition in Local Market	Pearson Correlation Coefficient	**0.175***	**0.283****	-0.017
High Growth in Local Market	Pearson Correlation Coefficient	**-0.255****	0.089	**0.168***
High Profitability in Local Market	Pearson Correlation Coefficient	-0.034	0.089	**0.161***

** Denotes 1% level of significance (2-tailed).

* Denotes 5% level of significance (2-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found.

5.4.5. National Environment

At the national level, there are many variables that may influence export performance. Government programmes, currency strength and stability, shipping costs, and financial institutions are examples of national variables. Government can play an important role in stimulating and supporting exporters. In Chapter 4, four hypotheses related to national level variables were proposed:

$H_{5.1}$ Export performance is influenced by government assistance

$H_{5.2}$ Export performance is influenced by local currency fluctuations

$H_{5.3}$ Export performance is influenced by the cost of transportation and shipping

$H_{5.4}$ Export performance is influenced by the availability of financial institutions supporting export transactions

To test these hypotheses, respondents were asked to indicate their agreement or disagreement with each of the following four statements: 1) government assistance for export activities is adequate; 2) exchange rate fluctuations negatively influence export marketing; 3) shipping costs of our products are expensive; and 4) there are adequate financial institutions to support export transactions.

Their responses were measured on a five-point Likert scale that ranges from strongly disagree to strongly agree. The objective here is to examine how respondents view the national environment variables and then test if there is any influence of their views on export performance. Table 5-66 presents their view of the adequacy of

government assistance. Almost half of the respondents disagree (both disagree and strongly disagree) that there is adequate government assistance compared with 16.9% who agree (both agree and strongly agree). This indicates, as discussed in Chapter 2, the lack of government export promotional programmes in Saudi Arabia.

The second national variable is the currency influence on export performance. Table 5-67 shows that 64.9% of the respondents do not agree that currency fluctuations influence export performance negatively compared to 9.8% who agree. This is explainable as 82% of the sample firms' exports go to GCC and Arab countries. Most of these countries' currencies, as in Saudi Arabia, are fixed to the US Dollar. For this reason, there is no major influence of currency fluctuation on export performance.

With regard to shipping costs, 61.4 % of the respondents agree that shipping costs are expensive compared with 16.4% who do not agree (Table 5-68). This is line with Al-Aali (1995) who found high shipping costs to be one of the most important obstacles perceived by Saudi Arabian exporters. The last variable related to national environment is the availability of financial institutions to finance export transactions. It is worth noting that 46.7% of the respondents do not agree that there are adequate financial institutions to finance exports compared with 10.4% who agree (Table 5-69).

To test if any of these four variables has a correlation with export performance measures, a correlation test was conducted (Table 5-70). The test results indicate that only the expensive shipping costs variable shows a correlation with export performance. It is significantly and negatively correlated with export profitability. The higher the

shipping costs the lower the firm's export profitability. A possible explanation is that firms have to sacrifice their profitability to absorb the high shipping costs as other competitors in the export market may not have this disadvantage. The other variables do not show any correlation with export performance.

Table 5-66 Adequate Government Assistance – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	41	26.6	19.33	2.54	2.44
Disagree	38	24.7	23.84	2.34	2.37
Neutral	49	31.8	22.43	2.59	2.45
Agree	23	14.9	24.53	2.91	2.70
Strongly Agree	3	2.0	36.33	3.33	2.33
Total	154	100.0	22.54	2.58	2.46

Table 5-67 Negative Influence of Currency Fluctuation – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	51	33.1	18.87	2.37	2.47
Disagree	49	31.8	22.68	2.61	2.39
Neutral	39	25.3	26.99	2.69	2.54
Agree	14	9.1	21.43	2.86	2.50
Strongly Agree	1	0.7	45.00	3.00	2.00
Total	154	100.0	22.54	2.58	2.46

Table 5-68 Expensive Shipping Costs – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	5	3.3	19.40	2.40	3.00
Disagree	20	13.1	21.05	2.60	2.65
Neutral	34	22.2	20.94	2.41	2.41
Agree	67	43.8	24.84	2.75	2.49
Strongly Agree	27	17.6	21.10	2.41	2.19
Total	153	100.0	22.64	2.58	2.46

Table 5-69 Adequate Financial Institutions Supporting Export – Frequency Table

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
Strongly Disagree	29	18.8	21.41	2.38	2.41
Disagree	43	27.9	21.66	2.42	2.49
Neutral	66	42.9	23.78	2.76	2.48
Agree	16	10.4	21.81	2.63	2.37
Strongly Agree	0	0			
Total	154	100.0	22.54	2.58	2.46

Table 5-70 Correlation Test of National Environment Variables

		Export Intensity	Export Sales Growth	Export Profitability
Adequate Government Assistance	Pearson Correlation Coefficient	0.102	0.143	0.077
Negative Influence of Currency Fluctuation	Pearson Correlation Coefficient	0.130	0.153	0.019
Expensive Shipping Costs	Pearson Correlation Coefficient	0.041	0.019	**-0.178***
Adequate Financial Institutions Supporting Export	Pearson Correlation Coefficient	0.033	0.133	0.002

* Denotes 5% level of significance (2-tailed).

Note: A Spearman's rho coefficient was calculated and similar results were found.

5.4.6. Foreign Market Environment

The destination of exports is an important element in the export process. An export market is where the products will be sold and marketing activities will take place. Many researchers found successful exporters to perceive foreign market variables differently from unsuccessful exporters. For this study the following hypothesis was proposed:

$H_{6.1}$ Export performance is influenced by perceived importance of export market variables

To test the hypothesis, ten variables related to export market environment were selected and respondents were asked to rate how important each of these variables was to their firm's decision to develop an export venture in a country. Table 5-71 shows those variables and their average importance. The importance was measured on a five-point Likert scale ranging from not important to extremely important. The higher the average the more important the variable. It was found that the most important variable is security of payment followed by low trade barriers and information availability. On the other hand, the least important variable is cultural similarity.

To test if there is any significant difference in export performance due to perceived importance of these variables, a stepwise regression analysis was carried out. Each independent variable is entered in the model if its significance level is less than 0.05 and the variable is removed when its significance level becomes more than 0.10. Table 5-72 presents the results of the stepwise regression analysis. It is found that only the 'geographically close' variable could explain the variability in export intensity. It has

a negative relation, the more important a firm considers the export market to be geographically close the less its export intensity. This will be explained when discussing the next hypothesis regarding export destination. On the other hand, none of the variables was related with export sales growth. Finally, an interesting result was found, in that export profitability was negatively related to the perceived importance of large export market size. Those firms who place higher importance on large export market size realise lower export profitability. It could be that larger export markets are more competitive and thus less profitable.

Table 5-71 Export Market Variables – Response Average*

Variable	Average response
Having high security of payment	4.64
Having low trade barriers	3.80
Availability of information about export market	3.74
Availability of trade agreement	3.32
Availability of distribution channels for our products	3.27
Having large market size for our products	3.15
Having low competition for our products	3.14
Being geographically close	2.83
Having well developed infrastructure	2.61
Being similar to Saudi Arabian culture	1.62

* The question was "How important is each of the following elements about an export market in your firm's decision to develop an export venture in any country?" It was measured on a five-point Likert scale ranging from 1= Not important to 5= Extremely Important.

Table 5-72 Stepwise Regression Analysis – Export Market Variables

	Constant	Standardised Beta value of Independent Variables Entered	Adjusted R square
Export Intensity	32.271	-0.204 * Geographically Close	0.035
Export Sales Growth		None	
Export Profitability	2.820	-0.171 * Large Market Size	0.022

The second hypothesis in foreign market environment is related to export destination. The objective is to test if the export performance is influenced by the destination of exports. Some researchers found that successful exporters are exporting to developed countries rather than developing countries (Christensen et al, 1987; Das, 1994; Dominguez & Sequeira, 1993). For this study the following hypothesis was proposed:

$H_{6.2}$ Export performance is influenced by export destination

Respondents were asked to indicate the percentage of their firm's export sales that goes to each of nine regions/countries. Table 5-73 presents the number of firms exporting to each region and the average sample of exports to that region. It is worth noting that 58% percent of sample firms' exports go to GCC. There is an explanation for the higher percentage of exports to these countries as they are geographically close and have the same traditions and cultures. Moreover, GCC countries are governed by an agreement to exempt local manufactures from any custom duties. The next highest region in receiving exports is other Arab countries with 24% of exports. After that, Asia, Africa, and Western Europe with 4.26%, 4.76%, and 4.13% respectively.

To test the hypothesis of whether firms exporting to different markets vary in their export performance, a stepwise regression analysis was carried out. Each variable is entered if it has a significance of 0.05 or less and is removed if it has a significance of 0.10 or more. The results are shown in Table 5-74. Three regions could explain 37.8% of export intensity variability, namely Asia, Africa, and Western Europe. The higher a firm exports to these regions the higher its export intensity. Also, export sales growth was negatively associated with export destination as those firms exporting to GCC countries have lower export sales growth. Export profitability was not associated with export destination.

Further analysis using the Hierarchical Cluster method was conducted to test if participating firms could be classified by their export destination. After a few trials with different numbers of clusters, it was found that the most distinct classification was with three clusters. Table 5-75 shows the three generated clusters and their average exports to each region/country. Each cluster has a dominant feature of export destination. However, it is important to note that exports to GCC are high for all firms (58.2% of all sample) and thus represent a significant destination in all clusters. Cluster 1 is dominated by GCC exports and Arab countries, 80.7% goes to GCC and 12.8 to Arab countries. This could be classified as GCC destination firms. Cluster 3 is dominated by exports to Arab countries, 63.3% goes to Arab countries and 33.7 to GCC. This could be classified as Arab destination firms. The last cluster is the one that shows great outward destination. Cluster 2 exports goes to all regions, and GCC and Arab exports represent only 44.2% of Cluster 2 exports. Firms in Cluster 2 export beyond the regional boundaries and target countries beyond their geographical and cultural boundaries, so they could be classified as world exporters.

Table 5-73 Export Destination – Statistics*

Destination	Number of Firms Exporting To the Region/Country	Sample Average Percentage of Exports to the Region/Country
Gulf Countries (GCC)	146	58.17 %
Arab Countries (non-GCC)	127	24.20 %
Japan	4	0.29 %
Asian countries (not including Japan)	45	4.26 %
Western Europe	33	4.13 %
North America	20	1.98 %
Africa (non-Arab)	58	4.76 %
Eastern Europe and USSR	13	0.51 %
Other countries	24	1.47 %

* Respondents were asked to indicate the percentage of their firm's total exports that goes to each region/country. The total for each firm should be 100%.

Table 5-74 Regression Analysis – Export Destination

	Constant	Standardised Beta value of Independent Variables Entered	Adjusted R square
Export Intensity	15.014	0.478 * Asia 0.255 * Western Europe 0.117 * Africa	0.378
Export Sales Growth	2.903	-0.170 * Gulf Countries	0.022
Export Profitability		None	

Now it is important to find if those three groups differ in their export performance. Table 5-75 shows the export performance of each group. A one-way ANOVA test was carried out to test if there is any significant difference in export performance between the three groups and the results are presented in Table 5-76. It was found that there is a significant difference in export intensity between the three groups. World exporters (Cluster 2) have significantly higher export intensity than the other two groups. This would explain the finding related to $H_{6.1}$ when export intensity was found to be negatively correlated with geographical closeness. Firms exporting to geographically close markets are not world oriented and have lower export intensity. With regard to export sales growth and export profitability, there is no significant difference between the three groups.

Table 5-75 Cluster Analysis* of Export Destination (Percentage of Exports)

	Cluster 1	Cluster 2	Cluster 3
Gulf Countries	**80.7**	**24.6**	**33.7**
Arab Countries (non-GCC)	**12.8**	**19.6**	**63.2**
Japan	0.0	**1.2**	0.0
Asian countries (not including Japan)	2.2	**12.5**	0.1
Western Europe	0.7	**15.6**	0.1
North America	0.3	**6.8**	0.8
Africa (non-Arab)	2.0	**13.7**	1.7
Eastern Europe and USSR	0.6	0.7	0.0
Other countries	0.7	**4.2**	0.4
Export Intensity	18.9	**36.1**	15.2
Export Sales Growth	2.5	2.7	2.6
Export Profitability	2.4	2.4	2.5
Number of firms in the cluster	85	36	29

* Cluster analysis grouped using Ward Method

Table 5-76 One-way ANOVA Test of Export Performance between Clusters

	df	F	Sig.
Export Intensity	2	14.811	**0.000**
Export Sales Growth	2	0.371	0.690
Export Profitability	2	0.233	0.792

Note: A Kruskal-Wallis Test (non-parametric) was conducted and similar results were obtained

Table 5-77 summarises the findings of hypotheses related to environmental variables. Local market size and growth were negatively related with export intensity. Export profitability was positively related with local market profitability. On the other hand, limited competition in local market was positively related with export intensity and export sales growth. Moreover, export profitability was negatively related with shipping costs. For export market environment variables, export intensity was positively related with exporting world-wide, especially to Asia, Western Europe, and Africa. Export sales growth was negatively related with exporting to Gulf countries. Finally, export profitability was positively related with exporting to Arab countries and negatively with exporting to large export markets.

Table 5-77 Summary of Hypotheses Testing: Environmental Variables (External)

		Export Intensity	Export Growth	Export Profitability
	LOCAL MARKET VARIABLES			
$H_{4.1}$	Export performance is influenced by local market size	**Negative relation**	-	-
$H_{4.2}$	Export performance is influenced by local market competitiveness	**Negative relation**	**Negative relation**	-
$H_{4.3}$	Export performance is influenced by local market growth	**Negative relation**	-	**Positive relation**
$H_{4.4}$	Export performance is influenced by local market profitability	-	-	**Positive relation**
	NATIONAL VARIABLES			
$H_{5.1}$	Export performance is influenced by government assistance	-	-	-
$H_{5.2}$	Export performance is influenced by local currency fluctuations	-	-	-
$H_{5.3}$	Export performance is influenced by the cost of transportation and shipping	-	-	**Negative relation**
$H_{5.4}$	Export performance is influenced by the availability of financial institutions supporting export transactions	-	-	-
	EXPORT MARKET VARIABLES			
$H_{6.1}$	Export performance is influenced by perceived importance of export market variables	**Firms targeting geographically close markets had lower export intensity**		**Firms targeting large export markets had lower profitability**
$H_{6.2}$	Export performance is influenced by export destination	**Positively related with world wide exports (especially Asia, Western Europe, and Africa)**	**Negatively related with exports to Gulf countries**	**Positively related with exports to Arab countries**

5.5. Regression Analysis

In the previous section, data were analysed and research hypotheses were tested. Some of the hypotheses were supported and others were rejected. The findings are very important for an understanding of the export success determinants. However, at this stage and before we begin to discuss the findings, it is very important to digest these many variables using appropriate statistical analysis.

The way the hypotheses were tested relied mainly on testing the relation or association between each variable and each export performance measure. This was necessary to understand the direct association of each variable with export performance. It was also important to find results comparable with previous research, as this is helpful in strengthening the export literature by accumulating our understanding of each export determinant. However, in real life no single variable could be isolated from the environment and from other variables' interactions. This means that there could be many variables influencing export performance, however they are intercorrelated.

There are many statistical methods available to the researcher to relate the large number of independent variables to the dependent variable and estimate the contribution of these factors in explaining a firm's export performance. Step-Wise Multiple Regression Analysis, Multiple Classification Analysis[1], and Automatic Interaction

[1] Multiple Classification Analysis examines the relation between several independent variables and a single dependent variable. The technique provides a mean value of the dependent variable for each subclass of the independent variable and deviation from the grand mean that are adjusted simultaneously for effects of all other variables considered in the intercorrelations. It determines the effects of each predictor before and after adjustment for inter-correlations with other predictors in the analysis. (Emory and Cooper, 1991)

Detection[1] are some examples. Moreover, the researcher could utilise Cluster Analysis technique to classify the cases into different homogeneous groups and then conduct multiple regression or other statistical analysis for each group. In this study, we have used a step-wise multiple regression analysis to estimate the contribution of various factors in explaining the variability of different export performance measures. Other alternative ways of analysing the data are suggested in the last chapter of this thesis for future research.

In this section, step-wise multiple regression analysis is utilised to create a model for each export performance measure using variables tested in this study. Each independent variable is entered in the model if its significance level is less than 0.05 and the variable is removed when its significance level becomes more than 0.10. The objective of this test is to single out the most important variables explaining the variability in the dependent variable, in this case export performance measures. In other words, the model will help us understand how much of the variance in each export performance measure is explained by a set of predictor variables. Variables that could be explained by more powerful variables or cannot explain any additional variance in export performance will be eliminated.

[1] Automatic Interaction Detection is a sequential partitioning procedure that relates a set of predicting factors with a specified dependent variable. It searches among the predicting factors for best single division according to each predictor, choose one, and splits the sample into two groups. The objective is to maximise the reduction in the unexplained sum of squares of the dependent variable. The two subgroups are then split into two separate samples for further analysis. The process continues to find the variable that makes the next largest contribution to the reduction of unexplained variations in each subgroup. (Emory and Cooper, 1991)

5.5.1. Data Considerations

In order to utilise step-wise multiple regression, there needs to be an appropriate relation between the number of observations and the number of variables entered in the model. Based on the previous section's findings and using principle-component factor analysis and correlation tests, the number of variables to enter in the regression analysis was simplified to 52, representing all six categories of export determinates. Table 5- 78 shows the variables that are entered in the regression model. Specifically, 7 variables represented firm differential advantage, 12 variables represented marketing strategy, 16 variables represented management quality, 4 variables represented local market environment, 4 variables represented national environment, and 9 variables represented foreign market environment.

Another issue related to multiple regression is the goodness of fit, or how perfectly the model predicts the dependent variable. This issue was tested using residual analysis. Normally, the developed model will not produce results exactly to the actual observations, as there will be some discrepancy. This discrepancy is called residuals and the analysis of residuals is a very useful way of determining how good the model is (George & Mallery, 1999). Each of the models developed was tested for goodness of fit using residual analysis.

Table 5- 79 presents the step-wise regression analysis results for each performance measure. The regression model results of each performance measure are discussed in the following sections.

Table 5- 78 Variables Related to Export Performance

Independent Variables		Independent Variables	
Firm Differential Advantages		***Local Market Environment***	
V1	Number of Employees	V36	Large Local Market Size
V2	Size of Capital	V37	Low Competitiveness in Local Market
V3	Technological Advancement	V38	High Local Market Growth
V4	Price Competitiveness	V39	High Local Market Profitability
V5	Product Quality		
V6	Exporting Experience		
V7	Export Department		
Export Marketing Strategy		***National Environment***	
V8	Export Planning	V40	Adequacy of Government Assistance
V9	Product Adaptation	V41	Influence of Currency Fluctuations
V10	Price Adaptation	V42	High Cost of Shipping
V11	Carrying out Promotional Activities	V43	Adequacy of Financial Institutions
V12	Promotional Adaptation		
V13	Distribution Channel Adaptation		
V14	Market Research		
V15	Number of Products Exported		
V16	Number of Export Countries		
V17	Support to Foreign Distributor/Customer		
V18	Unsolicited Orders		
V19	Export Opportunities Exploration		
Management Quality		***Foreign Market Environment***	
V20	Manager Age	V44	Geographically Close Export Market
V21	Education	V45	Large Export Market Size
V22	Travel Frequency		***Export Destination***
V23	Travel Enjoyability	V46	Gulf Countries (GCC)
V24	English Language Proficiency	V47	Arab Countries (non-GCC)
V25	Number of Foreign Languages	V48	Asian countries
V26	Sales Growth Aspirations	V49	Western Europe
V27	Profitability Aspirations	V50	North America
V28	Investment Security Aspirations	V51	Africa
V29	Market Security Aspirations	V52	Eastern Europe and USSR
V30	Sales Growth Expectations		
V31	Profitability Expectations		
V32	Market Security Expectations		
V33	Firm Image Improvement Expectations		
V34	Management Time Spent on Export Related Activities		
V35	Willingness to Allocate Resources		

Table 5- 79 Multiple Regression Analysis of Export Performance Measures

Independent Variables	Export Intensity	Export Sales Growth	Export Profitability
Firm Differential Advantages			
Size of Capital			- 0.318**
Product Quality			0.264**
Exporting Experience			0.196**
Export Marketing Strategy			
Export Planning	0.161*		
Product Adaptation	0.150*		
Price Adaptation	-0.199**		
Price Competitiveness		0.174*	
Carrying out Promotional Activities	0.163*		
Number of Products Exported		0.137[a]	
Number of Export Countries	0.204**		
Management			
Investment Security Aspirations		- 0.211**	
Sales Growth Expectations			- 0.318**
Export Profitability Expectations			0.472**
Firm Image Improvement Expectations		0.213**	
Management Time Spent on Export Act.	0.214**	0.307**	
Local Market Environment			
Large Market Size			0.202**
Low Market Competition	0.130*	0.215**	
High Local Market Growth	-0.267**		
Foreign Market Environment			
Large Market Size			- 0.221**
Arab Countries			0.245**
Asian countries	0.243**		
Adjusted R^2	0.592	0.270	0.352
F Value	21.449	8.825	9.605
Significance	0.000	0.000	0.000

** Denotes 1% level of significance. * Denotes 5% level of significance. [a] Denotes 10% level of significance

5.5.2. Export Intensity

From Table 5- 79 we find that only nine variables were entered in the model from the 52 variables. These nine variables explain 59.2% of the variance in export intensity. Five variables were related to export marketing strategy: export planning, product adaptation, price adaptation, carrying out promotional activities in the foreign market, and the number of export countries handled by the firm (market diversification). Export intensity was positively related with export planning, product adaptation, carrying out promotional activities in the export market, and exporting to a larger number of countries. However, export intensity was negatively related with the adaptation of export price. This indicates that firms offering different prices to different markets have lower export intensity than those with a standard export price. Having five variables related to export marketing strategy explaining export intensity shows the importance of export marketing strategy to export intensity.

Interestingly, only one variable related to management was entered in the model, that is management time spent in handling export related activities. This shows the positive relation between management time devoted to exporting and export intensity. This relation could be the other way round, meaning that as a result of high export intensity managers tend to give more attention and devote more time to export activities. Also, this positive relation emphasises the importance of management commitment to exporting performance.

Two variables related to local market environment were entered, local market competition and growth. High local market growth is negatively related with export intensity. This is logical as firms having high local market growth would tend to concentrate in the local market rather than exploring and expanding their export markets. However, low competition in the local market was positively associated with export intensity. This contradicts the export literature (e.g. Madsen, 1989) that low attractiveness of the local market leads to better export performance.

The last variable was related to foreign market environment and specifically to export destination. Export intensity was positively associated with exporting to Asian markets. This indicates the importance of export destination in explaining the variance in export intensity. This supports $H_{6.2}$ finding that export destination is an important determinants of export performance. Finally, none of the firm differential advantages variables was entered in the model. This indicates that export intensity is mainly a function of export marketing strategy and local market pressures.

The model was tested for goodness of prediction using residual analysis, the residuals were found not to be normally distributed. Therefore, a rank regression was performed to overcome the normality issue. The results of rank regression confirmed the above model with slight changes in the coefficients of product adaptation and price adaptation. However, both the strength and direction of relation were similar.

5.5.3. Export Sales Growth

Similarly to the previous model, 52 variables were entered in a step-wise regression analysis as independent variables and export sales growth as a dependent variable. Table 5- 79 shows the regression analysis results where six variables were entered in the final model. The six variables explain 27.0% of the variability in export sales growth. This is not as good as the export intensity model where 59.2% of the variance was explained. However, there may be other factors influencing export sales growth that were not covered by the factors included in this study.

Of the six variables that were in the final model, three variables were related to management quality. Manager's time devoted to exporting and his/her expectations that exporting will improve the firm's image were positively associated with export sales growth. On the other hand, manager's aspirations for investment security were negatively associated with export sales growth. Management investment security aspirations may influence his/her decision in expanding export activities as exporting is more risky compared to the local market with which they are very familiar.

The other three variables entered in the model were price competitiveness, number of products exported, and local market competition. Price competitiveness was positively associated with export sales growth. This suggests that firms exporting competitively priced products have a better opportunity to penetrate export markets and expand their exports. Also, the number of products exported was positively associated with export sales growth. This indicates that firms exporting a wide range of products

have higher export growth. Exporting more products could increase the chances of successfully penetrating the export market compared to exporting fewer products.

On the other hand, low competition in the local market was positively associated with export sales growth. This was unexpected, as local market pressures tend to push firms to expand their exports, and low competition was expected to attract firms to concentrate on the local market. However, since price competitiveness was positively associated to export sales growth, and price competitiveness is positively correlated with product quality and technology, a reasonable explanation would be that firms with high quality products and competitive prices tend to have less competition in both local and export markets.

In conclusion, export sales growth was found to be mainly associated with managers' quality as three variables out of six explained it. Also, price competitiveness and number of products exported were important internal determinants of export sales growth. However, the model explained only 27.0% of the variance in export sales growth. The model was tested for goodness of prediction using residual analysis and it was established that the residuals were normally distributed.

5.5.4. Export Profitability

The last model was to predict the export profitability; 52 variables were entered as independent variables and export profitability as a dependent variable. Table 5- 79 presents the regression model variables in which eight variables were entered, explaining 35.2% of the variance in export profitability.

Three variables relating to firm differential advantages were entered in the model explaining export profitability. Product quality and exporting experience were positively associated with export profitability. Firms having high quality products could charge a higher price for their products, thus generating higher profits, and as firms get more experience in exporting they start to realise more profitable transactions. Exporting experience could be a result of a market penetration strategy, as firms at their early stages of exporting try to sacrifice profits to gain a share in the export market and later they start adjusting their profit margins. Another explanation is that experienced firms may have absorbed most of their export development costs and started realising more profits. On the other hand, the size of capital was negatively associated with export profitability. Larger firms in terms of capital were found to have less export profitability. It could be that larger firms are more concerned with volume and are willing to sacrifice profit to volume, whereas small firms may not have large capacities and thus are more sensitive to profits rather than volume.

Management expectations were influential on export profitability as expectations for export profitability and expectations for sales growth were entered in the model, and they had the largest standardised Beta coefficients. Those two variables were working in

opposite directions, profitability expectations were positively associated with export profitability whereas export sales growth expectations was negatively associated with export profitability. In explaining this finding, it could be argued that managers who expect exporting to be profitable would attempt to increase their profit margins to make it profitable. On the other hand, managers seeking growth and higher sales volume would tend to sacrifice profits to achieve their growth objective.

Export profitability was positively associated with large local market size. Firms having large local market size for their products realise more profits from exporting. This finding integrated with growth and profitability expectations and the positive relation between export sales growth and price competitiveness, would lead to the conclusion that firms aiming at increasing their export sales and penetrating export markets offer more competitive prices and sacrifice profitability. On the other hand, small firms and firms with large local market size are not attracted to exporting and when they export they set their prices to make exporting profitable. They have no reason to sacrifice profitability when they have an attractive local market.

The last two variables were related to foreign market environment. Exporting to Arab countries was found to be positively associated with export profitability. In Chapter 2, the importance of the Saudi role within Islamic and Arab countries was discussed. Therefore, a reasonable explanation would be that Saudi Arabian products are highly accepted and appreciated in Arab countries and Saudi exporters may benefit from this to realise higher profitability. The second variable related to the export market was the importance of large export market size to the Saudi Arabian exporters. It was found to

have a negative influence on export profitability. Firms giving high importance to large export markets were found to have less profitability. This could be explained by growth expectations, as firms expecting high growth will tend to look for large export markets and would offer competitive prices with lower profitability to penetrate the export large markets and achieve higher export sales growth.

Finally, 35.2% of export profitability was explained by eight variables related to firm differential advantages, managers' expectations, local market attractiveness, and export market. Surprisingly, none of the export marketing strategy variables was entered in to the export profitability model. This may indicate that export marketing variables were represented by more influential variables such as managers' expectations. The model was tested for goodness of predictability using residual analysis and the residuals were found to be normally distributed.

5.6. Qualitative Results (Interviews)

As discussed in Chapter 4, personal interviews with six executive managers of exporting firms were carried out. The objective of the interviews was to obtain in-depth details about issues that may not have been possible to collect through a mail questionnaire. Each of the six interviews will be discussed in a separate section describing all information related to the firm and its exporting activity. For reasons of confidentiality, no names are disclosed, however each firm is referred to by the letters A to F.

5.6.1. Firm A (Medical Products)

The firm was established in 1982 with a capital of SR 12 million to produce medical syringes. The main objective of setting up the project was to supply the government with its needs of syringes. They have about 130 employees. Initially, they did not have any problem in selling their product to the government, as they were bidding and getting contracts. However, as the competition increased in the local market they started thinking about reducing their costs. By early 1996, they had completed a massive expansion in their manufacturing facilities with the objective of minimising their manufacturing costs.

The firm management thought about exporting only after they had completed their expansion and found that they had more than the local market can contain. Even at that time the firm did not organise their export activity, but relied on unsolicited orders coming to them from neighbouring countries. In some export markets, the institutional customers were asking for a local agent to deal with them, so the firm assigned a local agent in those markets. They export one product to 10 countries, all of them being Arab countries including GCC countries. They offer a competitive price and credit terms.

The executive manager is too busy and devotes less than 10 hours a month to export development and since they do not have an export department/division, export activities are being handled by the marketing manager. They have no export policy and no export planning and they do not monitor the performance of their foreign distributors/agents. Even though they express an interest in developing exports, they continue to fill the unsolicited orders they receive rather than exploring new markets.

They are exporting 5.6% of their total sales and they rate their export sales as far below expectations, however they find their export profitability to be as expected. They find the local market to be more profitable, although they price their export sales slightly higher than local market prices.

5.6.2. Firm B (Mechanical oil and air filters)

This firm was established in 1989 with a capital of SR 14 million to produce mechanical oil and air filters. They have 125 employees. They had an agreement with a large American manufacturer to use their brand name. The installed production capacity was 18 million filters. Exports were in their initial plan, as the local market can take up to 8 million filters only. However, they suffered critical problems with their products' quality, which they managed to overcome by 1992. They installed a fully equipped laboratory to help them overcome quality problems and improve their products.

In 1992 the firm started exporting with a clear policy of expanding their exports. In 1993, they appointed an export sales representative to handle export activities and report directly to the general manager. Then the unit was expanded and new staff was added as exports increased. Based on their agreement with the American company, they can sell under the American brand name only to Arab countries. However, they can sell under other brand names to anywhere in the world. They started exporting by assigning foreign distributors in Gulf countries and some other Arab countries. They adapt their prices to the foreign market based on the competition, at the same time formulating their

price basically to cover variable costs. They started exporting to Europe under a separate agreement with the American company, the American company agreed to supply some of its European customers from firm B's factory in Saudi Arabia under the American company brand name and they started exporting to Italy. This gave them confidence in their products and opened their eyes to the European markets. They started contacting large customers and manufacturers in Europe to sell them their products under private labels.

They do plan and monitor export activities and distributor performance. They also visit their distributors and share promotional costs with them. They have been participating in trade shows to explore export opportunities, and have recently set up an Internet Web site that is showing good response. They are showing a great commitment and expect exports to help their firm grow and achieve economy of scale.

Their export performance has shown a steady increase with export intensity of 45%, and they believe that export sales are above expectations, whereas growth and profitability are as expected. About 45% of their exports go to Gulf countries, 18% to other Arab countries, 15% to Western Europe, and 15% to Africa. They are now exporting to 21 foreign markets.

5.6.3. Firm C (Chewing Gum)

This firm was established in 1984 with a capital of SR 4.2 million to produce different kinds of chewing gum. Initially, their business was established as a joint-venture with a Korean firm as a provider of the know-how. However, in 1987, after they

had completed their first expansion, the two partners had a dispute. The Saudi Arabian partner wanted to expand their exports to utilise the available production capacity, whereas the Korean partner wanted them to concentrate on the local market. The Korean partner has production facilities in Korea through which they export to most of Asia. Ultimately, based on this dispute, they ended their relation and the Saudi Arabian partner bought the Korean share. This transaction was considered a critical point in their export activity.

Their first export order was received from Bahrain (a neighbouring GCC country) and they filled it. However, they continued concentrating on the local market and filling export orders as they come. After their expansion in 1987 and after they purchased the Korean share, they started concentrating on exports. Their first participation in an international trade show was in Thailand in 1988, then in London in 1989. Thereafter, they continued to participate in 3-4 international trade shows per year.

In 1991, they underwent another major expansion to double their production capacity. The firm commitment to expand exports was notable after their second expansion. Their export intensity increased from 20% in 1990 to 60% in 1999. Currently, they are exporting to 25 countries. In most of their export markets they assign a distributor. They have also opened their own offices in Dubai through which they can expand their exports to Russia and Asia, and they opened another office in Egypt to expand their exports to North Africa. They sell in most of their markets under their own brand name except in Germany where they sell under a private label. They believe that

their experience in selling to Germany has helped them a great deal to develop their products to meet customer specifications.

They had two bad experiences in Lebanon and Australia where they failed to qualify their assigned distributor. They assigned the first customer who contacted them as a distributor, however in both countries the distributor damaged their market and dumped their products. They are still not able to enter those two markets. For the Australian market, they hired a consultant to make a study for them on how to re-enter the market. Although they are careful after those negative experiences, they do fill unsolicited orders from countries where they do not intend to enter.

They have had a separate export department since 1992 and they do prepare export plans, however they do not have a good system of monitoring their distributors' performance. They are satisfied with their export sales growth and profitability, however they believe that they are not well enough organised to grasp all the export opportunities available.

5.6.4. Firm D (Power Generation Equipment)

The firm was formed in 1978 as a limited liability company with a capital of SR 25 million to manufacture power generation equipment and other diesel engine driven products. It has an agreement with a leading American manufacturer of diesel engines to provide the firm with engineering expertise and technical know-how. The firm has 200 employees.

They started exporting in 1995 when the demand in the local market started to decline. Currently, they export about 10% of their sales to four Arab countries. Their senior management is interested in exporting, however they do not show a high commitment as they do not explore export opportunities and have not set up an export department. They do not prepare any plans for export activities and their executive manager hardly devotes any time to developing exports. They recently hired a marketing manager for the local market and he will be handling export activities.

Their expectations about exporting are high, they expect exports to help them grow and achieve market security. However, they do not expect exports to be more profitable as they find the local market more profitable. They have a quality control department and they have acquired the ISO 9000 certificate. They are working at only 50% of their production capacity and control 25% of the Saudi Arabian market.

5.6.5. Firm E (Roof Insulation Materials)

The firm was established in 1983 with a capital of SR 100 million to produce roof insulation materials. It has about 250 employees and controls 40% of the Saudi Arabian market. The firm has gone through three expansions since its establishment.

The firm started exporting in 1987, however it was not until 1994 that they made a strategic decision to develop and expand their exports. They established a separate division for export operations and hired and trained professional export staff. Then they

started exploring and studying export markets and successfully appointed distributors in 30 countries. They have achieved high growth in their export sales and their exports intensity grew from 20% in 1994 to 52% in 1999. About 60% of their exports go to Gulf countries, 20% to Arab countries, and 15% to Asia.

In their pricing strategy, they calculate the export price based on full costing and they adapt it to each export market. They conduct a wide range of promotional activities abroad such as running advertisements in professional magazines and offering technical seminars in export countries. Also, they back up their distributor with a range of services, training, catalogues, and technical support in bidding contracts. Senior management frequently visits their distributors. Also, they have established a roofing academy within their premises to train and develop their distributors' sales and technical staff. Three years ago they started holding an annual conference for their distributors where they update them on their new products and discuss their problems. Also, during these conferences they give excellence awards for best distributors.

The firm management continues to explore new export opportunities and they send their staff to explore and study new markets. They recently appointed a regional export manager for Latin America and the Caribbean with the objective of developing exports to that potential new region. The management is satisfied with their export performance and profitability and hold very high expectations about exporting. They continuously improve their products' quality and develop new products.

5.6.6. Firm F (safety and military shoes)

The firm was established in 1982 with a capital of SR 8 million to produce safety and military shoes. The firm has about 105 employees and controls 65% of the safety shoe market and 10% of the military shoe market in Saudi Arabia. Their main objective was to supply large local oil companies with their needs for safety shoes.

They started ad hoc exporting in the early 1990s with a first order to Bahrain. But, as the growth in the local market slowed, they started thinking of expanding their exports. In 1994, a decision was taken by the executive management to develop exports. They started expanding their exports to neighbouring countries and now they export to 6 countries. They assign distributors in almost every export market, but sometimes only an agent. They do plan their export activity and monitor their distributor's performance, but they do not provide any support to their distributors or conduct promotional activities except for supplying them with catalogues. Recently, they started exploring European markets and are conducting some feasibility studies to enter the market with private labels.

The firm has no export department and the sales department handles all export activities. They provide competitive prices and credit terms. In 1999 they exported 11% of their sales and their exports were 12% less than 1998 exports. They are not satisfied with their exports growth and volume, but are happy with their exports' profitability.

5.7. Summary

This chapter examined the survey analysis and hypothesis testing. First, the sample characteristics were discussed. The data were collected from 154 Saudi Arabian exporting firms resulting in a response rate of 28.2%. Then sample representativeness, non-response bias, early and late response bias, and reliability tests were examined. After that the three export measures utilised in this study were presented: export intensity, export sales growth, and export intensity.

After that each of the main hypotheses and related sub-hypotheses were tested. For firms' differential advantages, firms size measured by size of capital, firm technological advancement, product quality, firm exporting experience, and the existence of export department were found to positively associate with export intensity and export sales growth. Firms' technological advancement and its product quality were also found to be positively associated with export profitability. Export marketing strategy variables were also found to be important for firms' export performance. Export policy, export planning, carrying out and adapting promotional activities, conducting market research, market diversification, supporting foreign distributor, and closely monitoring the performance of foreign distributors were found to be positively associated with both export intensity and export sales growth. Export profitability was found to be positively influenced by the number of products exported and by participation in trade shows.

In analysing management quality variables, management education, English language proficiency, number of languages a manager speaks well, and frequency of travel were found to be positively and significantly correlated with export intensity.

Management aspirations for market security, management expectations for firm's image improvement, and management commitment were also found to be positively and significantly correlated with both export intensity and export sales growth. Management profitability expectations was the only variable in management quality that showed a positive association with export profitability.

Small local market size and low growth rate were positively influencing export intensity, whereas export profitability was positively associated with high local market profitability and high local market growth. Interestingly, low local market competition was found to positively influence export intensity and export sales growth. At the national level, only cost of shipping was found to be negatively correlated with export profitability. With regard to export destination, firms exporting to geographically close markets were associated with low export intensity and export sales growth. On the other hand, world exporters who export to geographically distant markets such as Western Europe, Asia, and Africa were found to have significantly higher export intensity.

The chapter also covered qualitative analysis. Six interviews carried out with managers from different exporting firms were presented. These in-depth interviews were aimed to strengthen the findings of the quantitative analysis and to provide deeper explanations of some of the findings. Next chapter will cover the discussion and interpretation of the present study findings. The findings will be compared with previous research findings throughout the next chapter.

CHAPTER SIX

THE DETERMINANTS OF EXPORT PERFORMANCE: AN EXTENDED DISCUSSION

6.1. Introduction

The objective of this study is to identify the variables and elements that are associated with better export performance. This chapter builds on the results of the analysis in the previous chapter. It discusses the findings and their interpretation, and compares them with findings from previous studies.

Internal determinants of export performance are discussed in the first three sections. Section 6.2 discusses findings related to firms' differential advantages and export performance. Section 6.3 presents the findings of export marketing strategy variables and their influence on export performance. Section 6.4 covers factors related to management quality and their association with export performance.

After that, external determinants of export performance are discussed. Section 6.5 presents the findings related to local market factors and their relation with export performance. Section 6.6 discusses national environment factors and their influence on export performance. Section 6.7 covers factors related to export market environment and their association with export performance. Finally, Section 6.8 summarises the findings of this chapter and presents profiles of successful exporters based on each measure of export performance.

6.2. Firms' Differential Advantages

Firms' differential advantages refer to any feature a firm has that may give it an advantage over other firms (Pak, 1991). These features may have existed since the founding of the firm or have been developed over time. Eleven hypotheses related to firms' differential advantages were proposed and tested, the following is a discussion of the hypothesis testing and its results.

With regard to ownership, apparently there was no connection between type of ownership and export intensity or export sales growth. This is not consistent with Das' (1994) findings which established that privately owned firms have higher export intensity while those with lower intensity were more likely to be public limited companies. However, joint stock companies were found to have lower export profitability. Further discussion of ownership and export profitability will be presented later within the context of firm size.

There was no significant difference in export performance between different industrial sectors with the exception of food sector firms. Food sector firms were found to have significantly lower export intensity. This finding is consistent with Al-Aali (1995) who found in his study of 58 food and chemical exporting firms that chemical and petrochemical firms were more export-oriented than food firms. The location of the firm within the country did not indicate any influence on export performance. Firms from three regions were compared to see if location gives any advantage. The results show no significant difference in export performance due to location. This does not support the argument of Wiedersheim-Paul et al. (1978) that the location of the firm within the

country is an important factor in export performance. Their argument was based on the availability of transportation means and the flow of information. This may apply to remote locations in rural areas. However, the three areas compared[1], although geographically far away from each other have similar a infrastructure and access to transportation and information.

In addition, product type exerted no influence on export performance and both consumer products and industrial products firms have a similar potential for export success. This does not support previous research findings that product type influenced export performance (Cavusgil and Zou, 1994). Also, this finding disagrees with Das (1994) who found firms exporting consumer products to have higher export intensity and export sales growth.

With regard to firm size, there is a general belief as discussed in Chapter 3 that larger firms have a size advantage and tend to perform better in exporting. In this study a positive association was found between firm size measured by size of capital and both export intensity and export sales growth. This aligns with Al-Aali (1989), who found in his study of 83 exporting and non-exporting Saudi Arabian firms that exporters were larger in size (measured by paid-in capital). However, firm size measured by number of employees has no association with export performance. This is consistent with Cooper and Kleinschmidt (1985), yet, this contradicts studies that found a positive association between size (measured by number of employees) and export performance (Cavusgil and Naor, 1987; Christensen et al., 1987; Harcar, 1993; Reid, 1983).

[1] Eastern region, Central region, and Western region.

Moreover, export profitability was negatively influenced by size of capital and firms having large capital showed lower profitability. This should be linked to the ownership type finding that joint-stock firms have a lower profitability. Joint-stock companies are significantly larger in size of capital than limited liability and sole proprietorship[1]. This leads to the conclusion that joint-stock firms that are significantly large in size of capital exhibit low export profitability. This finding needs further studies to explain the low profitability of joint-stock firms.

Product quality, uniqueness, and technological advancement were hypothesised to positively influence export performance. Both product quality and technology were positively associated with all export performance measures. However, in regression models, product quality was entered to positively predict the export profitability model. As product quality and technological advancement were significantly and positively correlated, it was obvious why technological advancement did not enter into the regression model of export profitability. None of the firms' differential advantages were entered in the regression models of either export intensity or export sales growth. A reasonable explanation is that export intensity is a function of strategy rather than differential advantages. With regard to product uniqueness, no association with any export performance measure was found.

Price competitiveness, which was positively correlated with technological advancement and product quality, is an important predictor of export sales growth. Firms entering new markets and expanding within their existing markets would do better with a

[1] Average capital of joint-stock firms is SR 337 million compared with SR 63 million for sole proprietorship firms and SR 56 million for limited liability firms.

competitive price. Also, product quality was found to be an important element for export profitability, as firms with high-quality products would face less competition and be able to charge a premium for quality superiority. However for export intensity other variables are more important than product quality. Export intensity reflects long term efforts, and export marketing strategy variables were found to be more important in providing an explanation.

The importance of product quality was also supported by qualitative data. Firm B, which produces mechanical filters, has suffered from quality problems that hindered its export performance in both local and export markets. They only succeeded in exporting after they installed a fully-equipped laboratory that helped them diagnose and solve their product quality problems. Christensen et al. (1987) found that exporters exporting low quality products were switching from market to market because of non-repeat orders.

This finding supports previous research findings that both product technology and quality are important variables in export performance. Cooper and Kleinschmidt (1985) found technological advancement to be positively related to export intensity and growth. Walters and Samiee (1990) found export technological intensity to be positively correlated with export profitability. Beamish and Munro (1987) found higher product technology to be associated with higher export intensity and profitability. Kaynak and Kothari (1984) found that product quality is a major determinant of export performance for both consumer and industrial goods.

Although the importance of technological advancement is widely supported (Aaby and Slater, 1989), there are other researchers who found either a weak relationship or no relationship at all. Cavusgil and Naor (1987) found technology intensiveness to be a weak discriminator between exporters and non-exporters. Similarly, Axinn (1988) found no significant association between technology and export intensity. Harcar (1983) in his study of the Turkish textile industry found high technology to be a weak discriminator between exporters and non-exporters. The findings of this study amalgamate these conflicting results as the study concludes that product quality and technological advancement are important for export growth and profitability but not for export intensity.

Exporting experience was found to be positively associated with export performance. Using a correlation test, exporting experience positively correlated with both export intensity and export sales growth, however when the regression models were developed, exporting experience was positively associated with only export profitability. It could be that exporting experience that has accumulated over time was reflected in other variables, such as marketing strategy influencing export intensity and management quality influencing export sales growth.

Amine and Cavusgil (1986) found that export intensity improved with higher export experience. They used a correlation test to reach this conclusion and therefore their finding is supported by this study. Similarly, Dominguez and Sequeira (1993) found export experience to be positively associated with export intensity. On the other hand,

Louter et al. (1991) found no association between exporting experience and export performance.

The positive association between export experience and profitability is not consistent with Bilkey (1982) who found that export profitability was negatively associated with export experience. This could be explained by two reasons. First, exporting firms may offer very competitive prices at the beginning of their exporting venture and, as they establish themselves in the export market, they start adjusting the prices to be more profitable. Second, the cost of entering and expanding export markets is high and may be depreciated in the early years of exporting. However in later years, experienced firms do not have to spend money to develop these markets and realise more profits.

Firm age was not found to have any association with export performance. This is similar to Keng and Jiuan (1989) who found no significant difference in age between exporters and non-exporters. However, other researchers found those successful exporters to be younger (Das, 1994; Kirpalani and Macintosh, 1980; Ursic and Czinkota, 1984).

The formal structure of export marketing activity within a firm, measured by the existence of a separate export department, was found to positively correlate with both export intensity and export sales growth. It is not clear whether the formal structure resulted in export expansion or was a result of it. The former relationship is supported by the qualitative data. Firms B, C and E had established export divisions before they

realised high export intensity of 45%, 60%, and 60% respectively. On the other hand, firms A and D, although very interested in and having high expectations of exporting, showed very low export intensity and growth. They did not have an export department responsible for export activities, and this could be a reason for the low performance. With regard to export profitability, formal structure of export marketing activity was not entered in the regression model. This does not support Bilkey's (1982) finding that the existence of an internal export unit was related to higher export profitability.

It is also important to note that there is a very significant positive correlation between the existence of an export department and management commitment measured by management willingness to allocate resources and by management time devoted to exporting. This would explain why the existence of an export department did not enter the regression models of export intensity and export sales growth. In both models, management time devoted to exporting was a positive predictor of export intensity and export sales growth. In the export literature, formal structure has received limited attention. Walters and Samiee (1990) found support for the positive association between the formal structure of export activity and export intensity.

6.3. Marketing Strategy

Export marketing strategy represents how a firm pursues its export activities to achieve its export venture objectives. There is no clear agreed-upon definition for export marketing strategy (Louter et al., 1991). This includes a group of variables for which management has to take decisions to expand their export venture. In this study, it was found that export marketing strategy is an important determinant of export intensity. From regression models, it was found that product adaptation, market diversification, and carrying out promotional activities were positively associated with export intensity and export sales growth, whereas price adaptation was negatively associated with export intensity. Price competitiveness and the number of products exported were positively associated with export sales growth. Interestingly, none of the marketing strategy variables was entered in the regression model of export profitability.

Export policy was found to be positively associated with both export intensity and export sales growth. Although 87% of the sample firms had an export policy, there was a significant difference in export intensity and export sales growth between them. Those who have an export policy had a significantly better export performance. This finding supports the positive association between export policy and export performance found in the research literature (Koh, 1991; Madsen, 1989). Moreover, export policy was significantly and positively correlated with export planning. This is logical, as those who do plan export activity would have an export policy.

Similar to export policy, export planning was positively correlated with both export intensity and export sales growth. This positive relationship between export

planning and export performance is widely supported in the export literature (Aaby and Slater, 1989). Madsen (1989) and Samiee and Walters (1990) found a significant positive relationship between export planning and export performance. The interviews held with exporting firms confirm this finding. Firms A and D who do not prepare plans for their export policy had a low export intensity and export sales growth.

There was also a positive correlation between management control, measured by setting sales targets for export markets and monitoring distributor performance, and both export intensity and export sales growth. At the same time, management control was highly correlated with export planning. In other words, those firms who do plan their export activity tend to have management control over their export activities. This is associated with higher export intensity and growth. This finding is in line with Kirpalani and Macintosh (1980) and Madsen (1989) who found a positive association between management control and monitoring of export markets and export performance. Aaby and Slater (1989) in their review of export performance studies concluded that effective export control is an important factor in export performance.

Marketing mix elements are the base of any marketing plan or strategy. The issue regarding these elements as discussed in Chapter 3 is whether to standardise or adapt them to the export market. It was found that product and promotion adaptation are positively associated with export intensity, whereas price adaptation showed a negative association. Price competitiveness was positively associated with export sales growth. Distribution channel adaptation had no association with export performance.

Product adaptation was found to be more important for firms selling non-durable consumer goods to achieve higher export intensity. As discussed earlier in this chapter, export intensity reflects long-term success, and this finding about product adaptation supports the finding of Cavusgil and Kirpalani (1993) that initial product adaptation is not important, however subsequent adaptation according to market needs positively relates with export performance. The positive association between product adaptation and export performance is widely supported in the literature (Cavusgil and Zou, 1994; Dominguez & Sequeira, 1993; Katsikeas, 1994).

No relation was found between product adaptation and export profitability, which supports the findings of Koh and Robicheaux (1988). However, it contradicts Walters and Samiee (1990) who found a positive relationship between export profitability and product adaptation. It could be the sample they used and the measure of export profitability that led to this result. They conducted their study on small firms that have less than 100 employees and they used after-tax export profit margins as the profitability measure rather than management perception of exporting profitability.

With regard to price adaptation, a rather unexpected result was found. It was negatively associated with export intensity. Further analysis and qualitative data indicate that both high and low performers make some modifications to their export price but probably low performers make larger modifications. In the export literature, there is notable support for a positive association between export performance and competitive price, however the relation between price adaptation and export intensity needs further investigation.

With regard to price competitiveness, it was entered in the regression model of export sales growth. This would indicate the importance of competitive pricing for market entry and growth but not for export intensity. It is notable that price competitiveness and product quality were highly correlated, and that firms offering quality products are able to offer them at a competitive price. Quality is not always related to higher price, as it could be a result of more advanced production technology that enables the firm to produce high-quality products at a lower cost. This reasoning is supported by Christensen et al. (1987) who argued that successful exporters relied on internationally competitive prices and are more concerned with internal factors for pricing such as production costs.

In the export literature, price competitiveness was found to positively influence export performance (Kaynak and Kothari, 1984; Kirpalani and Macintosh, 1980). However, Madsen (1987) found a marginal effect of price competitiveness on export performance and that a low price will lead to buyer uncertainty. At the same time he argues that product quality increases buyer certainty. It could be concluded that price competitiveness was found to positively correlate with product quality and firms do not have to sacrifice quality to offer a competitive price.

Promotional activities adaptation was positively correlated with export intensity and export sales growth. This relationship is more influential in the case of consumer product firms. This could be the result of different markets' cultures and languages where consumer products are sold. However, when it comes to industrial product

customers, the differences would diminish since customers share a similar professional understanding.

Yet, promotional adaptation was not entered in export performance regression models. Carrying out promotional activities in the export market was found to be more important in explaining the variance in export intensity. Carrying out promotional activities abroad and adapting them to market needs were significantly and positively correlated with both export intensity and export sales growth. The finding of a positive relation between carrying out promotional activities and export performance aligns with the findings of Kirpalani and Macintosh (1983). However, findings about adaptation of promotional activities were mixed. Cavusgil (1983) and Cavusgil and Kaynak (1982) found a positive association between promotion adaptation and export success, whereas Cavusgil and Zou (1994) found a negative relation.

The last variable of the marketing mix is distribution channel adaptation. This was not found to be important to any of the performance measures. It was also found that Saudi Arabian exporters mainly rely on two channels: a foreign distributor/agent and direct sales. Both consumer products and industrial products firms hardly use any other channels and industrial products firms were found to utilise a direct sales channel more than industrial products firms. This finding is consistent with Bell (1997) finding that the use of distributor/agent was the best ranked market entry strategy for Finnish, Irish, and Norwegian exporters. Similarly, this finding supports Koh and Robicheaux's (1988) conclusion that exporters of industrial products perceive performance to be better when they sell directly to the final customer.

Although the channel adaptation was not related to export performance, it is important to note that distributor selection is important for successful exporting. This was mentioned by some of the managers interviewed. Some of them have withdrawn from some markets because they had chosen an unqualified distributor. For example, firm C has withdrawn from both the Australian and the Lebanese markets because they gave the distributorship to the first contact without investigating their capabilities. Cavusgil and Zou (1994) found that one of the poor performance factors was poor choice of distributor.

With regard to market research, although there is a tremendous amount of free and easily-accessible information, some firms enter export markets on an almost impulsive basis without taking advantage of this information (Lee & Brasch, 1978). In this study, market research prior to foreign market entry positively correlates with export intensity and export sales growth. This finding supports other research findings of a positive relationship between export market research and export performance (Christensen et al., 1987; Dominguez & Sequeira, 1993; Hart and Tzokas, 1999). However, other scholars found no relationship (Amine and Cavusgil, 1986; Diamantopoulos and Inglis, 1988; Madsen, 1989). It is worth noting that in the regression models market research did not enter in any of the performance measure models. This could indicate that other variables explain the variance in export intensity and export sales growth being stronger than market research. Market research is positively and significantly correlated with management time devoted to exporting which explains both export intensity and export sales growth.

The number of products a firm exports was positively associated with export performance in terms of export sales growth. The finding supports other scholars' findings that product diversification strategy leads to better performance (Christensen, et al., 1987; Diamantopoulos and Inglis, 1988). However, this finding does not support findings that concluded a positive relationship between number of products exported and export intensity (Beamish and Munro, 1987; Beamish et al., 1993). Export profitability was positively correlated with the number of products exported.

The number of products exported helps the firm succeed in entering and expanding within existing markets, as the failure of one or more products would not restrict the other products from being accepted and sold. However, firms with one, or only a few, products would be more sensitive to the failure of any products. Likewise, firms with a wider product range were more profitable. It could be that a wider product range enables the company to realise higher profitability from some products and sacrifice profits from other products without reducing their overall profitability. However, firms with only a few products may not have such flexibility.

Market diversification strategy was also found to positively correlate with both export intensity and export sales growth. However, in regression analysis the number of export countries was entered only in the export intensity model. This finding supports the idea that export intensity is positively associated with market diversification (Cooper and Kleinschmidt, 1985; Diamantopoulos and Inglis, 1988; Dominguez & Sequeira, 1993; Lee and Yang, 1991). Also it supports Lee and Yang's (1991) finding that there is no relationship between export profitability and market diversification strategy.

Furthermore, there was a positive and significant correlation between firms' support to foreign distributors/customers and both export intensity and export sales growth. All the variables tested showed a high positive correlation: senior management visits, training, after-sale services, catalogues and brochures, and sharing promotional costs, although the last variable did not show any correlation with export sales growth. Previous literature indicated similar conclusions. Cunningham and Spigel (1971) and Moini (1995) found that a personal visit by company executives to their overseas clients represents an important factor for successful exporters. Also, Amine and Cavusgil (1986) found that personal contacts and visits to foreign distributors were an important element in export success. Moreover, Kaynak and Kothari (1984) concluded that after-sales services are a significant element contributing to success in exporting for both consumer and industrial products.

On the other hand, no relationship between support to foreign distributors/customers and export profitability was found. This finding aligns with Koh and Robicheaux's (1988) findings. However, it does not support Beamish et al. (1993) who found a positive relationship between firm's attention to customer service and export profitability. Also, there was a significant positive correlation between support to foreign distributors/customers and management commitment measured by time and resources allocated to exporting. This would explain why none of the variables related to foreign distributor/customer support entered in the regression analysis.

The last element in export marketing strategy was export opportunities exploration and how firms acquire new orders and discover new markets. The most widely discussed element is unsolicited orders. Many researchers found that active or aggressive exporters seek out their orders, while passive or reactive exporters wait to receive unsolicited orders. However, in this study the reliance on unsolicited orders was not found to be associated with export performance, although there was a negative correlation sign, it was not significant. This could be explained as previous scholars found that unsolicited orders are important as a stimulus for starting exporting (Cavusgil, 1983; Kaynak and Kothari, 1984) and this study sample were already all exporters.

With regard to other export exploration means, export intensity was positively associated with participation in trade shows and trade missions and with sending staff to explore foreign markets. Also, export sales growth was positively associated with participation in trade missions and staff visits. This supports Moini's (1995) finding that successful exporters systematically explore export opportunities and that active or successful exporters are proactive in their search for new orders and new markets. This is also consistent with Axinn (1988) and Denis and Depelteau (1985) who concluded that participation in trade fairs and missions is very important and associated with higher export intensity. Another very interesting finding is the positive association between participation in trade shows and export profitability. This finding agrees with Burton and Schlegelmilch (1987) who found profitable exporting to be associated with participation in international trade fairs. It could be that through participating in trade shows, a firm can receive a large number of orders that minimise the cost per order and increase the demand on the firm's product. This may make them selective and ask for higher prices for their products.

6.4. Management Quality

Management characteristics, aspirations, expectations, and commitment are significant variables in how a firm starts and expands its export marketing activities. Ross (1982) concluded that managers are the decision-makers within the firm and their decisions are responsible for the firm's success or failure in the international markets, and that their decisions are influenced by their own personal characteristics. In the export performance literature, there are many studies that have concluded positive associations between export performance and a number of managers' characteristics (Aaby and Slater, 1989).

In this study, manager's age, experience with the firm and in the position, international experience, education, nationality, travel frequency and enjoyability, perception of cultural interactions, and foreign language proficiency were studied. It also covered managers' aspirations, expectations, and commitment. In regression models of export performance, only management commitment, measured by a manager's time devoted to exporting, was entered to explain the variance in export intensity. Management export expectations of the firm's image improvement and management time devoted to exporting were positively associated with export sales growth. On the other hand, management aspirations for investment security were negatively associated with export sales growth.

This interesting finding, that management quality explains export sales growth rather more than it explains export intensity, aligns with findings by Reid (1983). He found that managerial quality was significant in explaining export entry but had little

association with continuing exporting. Entry and growth require different characteristics such as risk taking and travelling frequently, whereas export intensity depends, as discussed earlier in this chapter, on marketing strategy variables to sustain high export involvement that would reflect long-term success.

No relationship was found between a manager's age, experience with firm, experience in current position, or international experience and export performance measures. This does not support the positive relationship found in previous research between age and export performance (Rogers, 1987; Pak, 1991) and international experience and export performance (Axinn, 1988; Harcar, 1993). Das (1994) found a negative relation between export intensity and a manager's experience in exporting. So, the relation of management age and experience with export performance is not clear yet and this study could not support any trend in this relationship.

Further analysis with regard to management experience using cluster analysis (Appendix F) produced a very interesting conclusion. It was found that those managers who have been with their firms and in their current position for a long time have the highest international experience. However, this group of managers has the lowest education, travel frequency, market security aspirations, and market security expectations. They also indicated the lowest willingness to allocate resources to exporting and devoted the least time to exporting. Moreover, their firms had the lowest export intensity. A possible justification for this finding, with regard to management quality, is that those managers who had the highest international experience have been

promoted not because of their qualifications but rather because of the time they had spent with the firm.

Management education, frequency of travel, and foreign language proficiency were positively correlated with export intensity and export sales growth. However, none of the management characteristics shows any association with export profitability. This supports previous studies. Pak (1991) found that manager's frequency of travel positively affects export attractiveness. Rogers (1987) concluded that a manager's education and extent of travel are important determinants of the firm's export involvement. Keng and Jiuan (1989) concluded a positive relation between managers' education and export performance. Also, Cheong and Chong (1988) and Harcar (1993) found that managers in exporting firms have better foreign language skills.

With regard to management aspirations, it was found that management aspirations for market security were positively correlated with export intensity and export sales growth. On the other hand, aspirations for investment security were negatively associated with export sales growth. Aspirations for growth and profitability were not related to export performance. These findings support findings by Cavusgil (1976) who established that exporting is hindered by stronger aspirations for investment security. Also, he found (1984b) that aspirations for profit and aspirations for growth are highly correlated but bear no relation to export activity. Additionally, Ali and Swiercz (1991) indicated that export success seems to be facilitated by patience, flexibility, and willingness to take additional risk. Simmonds and Smith (1968) found a positive relation between export performance and high degree of risk taking and aggressive drive.

Management willingness to take risk is an important determinant of export sales growth as firms enter and expand into new markets, however as the management gains experience in exporting they perceive exporting to be less risky and their security aspirations become less important. These findings explain the gradual and evolutionary approach in export performance (Ross, 1982).

Positive management expectations that exporting will improve the firm's image were positively correlated with both export intensity and export sales growth. Other expectation variables did not show any association with either export intensity or export sales growth. This finding is very interesting. A firm's image improvement expectations were a more important and significant determinant of export intensity and growth than growth, profitability, and market security expectations. This finding supports the positive relation between favourable management expectations of exporting and export performance found in the literature (Al-Aali, 1989; Axinn, 1988; Cavusgil, 1976; Cavusgil et al., 1979; Johnston and Czinkota, 1985; Rogers, 1987). It gives a more specific dimension of management expectations that influence export intensity and growth. Expectations about a firm's image improvement need further research to reveal the rationale behind their influence on export performance.

Export profitability was positively associated with management export profitability expectations and negatively with sales growth expectations. This result supports Gomez-Mejia's finding (1988) that export profitability positively associates with management export profitability expectations. It is logical that managers expecting

exporting to lead to sales growth would act to commit more resources and provide competitive offers to achieve sales growth. On the other hand, those who expect profitability will tend to act to make exporting profitable by charging higher export prices.

In the export intensity regression model, none of the management expectations were entered to explain the model, whereas two dimensions of expectations were entered to explain the export sales growth model. It is possible that favourable expectations are important at the initial stage of exporting when resources must be allocated and risk must be accepted. Following export activities would be built on the initial experience and more commitment would develop as a result of an accumulated positive experience. Also, it is possible that favourable expectations are a *result* of greater export activity rather than a *cause* of greater export activity (Cavusgil, 1984b) and that the favourable profitability expectations were a result of experience in exporting and not a cause of export profitability.

The last variable in management quality is management commitment. Measured by management time devoted to exporting activities, it showed a very positive relationship with both export intensity and export sales growth. Management time was not associated with export profitability. Similarly, Beamish and Munro (1987) and Beamish et al. (1993) found that the higher proportion of the president's time devoted to exporting the higher the export intensity. Also, management willingness to allocate resources for exporting activities was positively correlated with export intensity.

In the literature of export performance there is strong support for a positive association between management commitment and export performance. However, as discussed in Chapter 3, management commitment has been measured by many variables in the literature. Some researchers used time and resources allocation where others used export planning and product modification. Also, some researchers measured commitment by the formal structure of export activity.

In this study, management commitment was found to be a very significant determinant of export intensity and export sales growth. Management time, export policy, export planning, and export formal structure were positively related with both export intensity and export sales growth. Management willingness to allocate resources to exporting activity was positively associated with only export intensity. This is in line with previous research findings (Cavusgil and Kirpalani, 1993; Cavusgil and Nevin, 1981a; Dominguez & Sequeira, 1993; Rogers, 1987).

6.5. Local Market Environment

Local market variables such as size, competitiveness, growth, and profitability can be either incentives or obstacles (Pak, 1991). Adverse local market conditions would push firms to direct their attention to exporting as they searched for better opportunities. In this study, local market conditions were found to be an important determinant of export performance. Local market size and growth were negatively correlated with

export intensity, whereas local market growth and profitability positively correlated with export profitability. Unexpectedly, local market competition negatively correlated with export intensity and growth. In other words, those firms with low competition in the local market enjoyed better export intensity and growth.

Large local market size was negatively associated with export intensity and positively associated with export profitability. Firms who had a large local market for their products were less involved in exporting as they were occupied with the local market. Cavusgil (1984b), Rabino (1980), and Kaynak and Kothari (1983) found similar results. Cavusgil (1984b), in explaining the low percentage of American firms who are involved in exporting, suggested that it could be the large size of the American market that has deterred them from seeking new markets abroad. Rabino (1980) and Kaynak and Kothari (1983) found the large US market to be a barrier to exporting.

Similarly, local market growth was found to be negatively associated with export intensity and positively associated with export profitability. Firms witnessing high local market growth will tend to concentrate on the local market, however when exporting they will not sacrifice profitability. They are not concerned with expanding or penetrating their export markets and profitability has a higher priority in their export decisions. This aligns with previous research results. Schlegelmilch and Crook (1988) found a significant negative relationship between export intensity and domestic market growth and concluded that a saturated local market is a primary motive for exporting, regardless of the degree of domestic market penetration. Pak (1991) and Madsen (1989) found a negative association between local market attractiveness and export sales.

Sullivan and Bauerschmidt (1988) and Karafakioglu (1986) found decreasing opportunities in the local market to be essential motives in export involvement. It is concluded that local market size and growth attract manufacturing firms to concentrate in local markets and negatively influence their export intensity while positively influencing their export profitability.

An interesting relationship was found between local market competition and export intensity and growth. The lower the local market competition, the better the export performance. This was unexpected because the low competition would attract the firm to the local market rather than the export market. It was also found that local market size, growth, and profitability were positively and significantly correlated, however low market competition was only correlated with local market profitability. A possible explanation is that firms with low competition in the local market would also have low competition in the foreign market. This finding needs further investigation.

6.6. National Environment

At the national level, four variables were studied: government assistance, currency fluctuation, shipping costs, and financial institutions. Of these four elements, only shipping costs showed an association with export performance. It was found that expensive shipping costs are negatively associated with export profitability. It is notable that shipping costs are relative, as low-price products will have relatively higher shipping costs compared with their price. In some cases, such as snacks, shipping costs may

comprise half the CIF[1] costs. However, for expensive materials, such as advanced compact electronics, shipping costs are marginal. Also, shipping could be expensive to certain countries because of the unavailability of direct lines and goods leaving to be shipped via a third port. For example, when shipping from Saudi Arabia to North Africa, goods have to be shipped via Italian ports or southern European ports (Al-Aali, 1995).

Contrary to Al-Aali (1995), who found in his study of 58 Saudi Arabian exporters that fluctuations in foreign exchange were a major obstacle, this study found no relationship between currency fluctuations and export performance. About 60% of the sample exports go to GCC countries whose currencies have very marginal fluctuations with the Saudi Riyal, as most of their currencies are fixed with the U.S. Dollar. This explains why there is no relation and that 65% of the sample do not agree that currency fluctuations negatively influence their exports, compared with 10% who agree. This variable is country and time specific, meaning that it differs from country to country and within the same country from time to time. So, different research results within the same country may have different results because they were conducted at different times.

Again, perception of the adequacy of government assistance was not related to export performance. Almost half of the sample do not find government assistance adequate compared to 17% who see it to be adequate. As discussed in Chapter 2, Saudi Arabia has no official export promotion programmes or government agencies responsible for export promotion. There is an export development centre that was established by the private sector but it is severely under-funded (Al-Aali, 1995). In the export literature, findings about government assistance were mixed. Pak (1991) found no significant

[1] CIF refers to cost, insurance, and freight.

relation between government assistance and export performance and Christensen et al. (1987) found that information supplied by government was less effective and that successful exporters did not rely on this information. They also found that there was no correlation between export performance and government export incentives. Also, Karafakioglu (1986) pointed out that export incentives are not perceived as important factors in export initiation. On the other hand, Weaver and Pak (1990), in their research into the export performance of Korean firms, found that aggressive promotion efforts by the government have created a positive attitude toward exporting. The mixed findings could be a result of different government programmes and thus be a country specific finding.

In this study, no relation was found between the adequacy of financial institutions supporting export transactions and export performance. Almost half the sample did not agree that there are adequate financial institutions supporting export transactions, compared to 19% who agree. As discussed earlier in Chapter 2, there are no government agencies specializing in export financing and insurance, even though a few multilateral programs are available to Saudi Arabian exporters, with certain conditions and limitations (Al-Aali, 1995).

6.7. Foreign Market Environment

In the export performance literature, there is general agreement on the importance of foreign market characteristics on firms' export performance. Export market conditions may pose both opportunities and threats for exporters. In this study, two hypotheses were tested, one was related to the importance of export market characteristics and the other to export destination.

Ten variables related to export market characteristics were tested for their relation with export performance. Only two variables were found to have a relation. First, firms who emphasised more importance on geographically close export markets had lower export intensity. This is consistent with previous research findings. Boukersi (1991) found market distance expressed by psychological or physical distance to have a negative influence on export performance. Also, Cooper and Kleinschmidt (1985), Denis and Depelteau (1985), and Diamantopoulos (1988) concluded that wider market coverage was associated with better export performance. Findings related to export destination, as will be discussed later in this section, support this conclusion.

Second, firms who emphasise the importance of large size of export market had lower export profitability. There were no previous studies comparing export profitability with export market size, but it could be that firms looking for large market size are willing to sacrifice profitability for volume. This is consistent with findings discussed earlier that export profitability was negatively associated with management growth expectations. A logical link between those findings is that managers who expect

exporting to lead to high growth are looking for large export markets and sacrificing profitability to achieve growth.

The second hypothesis was related to the influence of export destination on export performance. In other words, do firms exporting to certain regions/countries differ in export performance from firms that do not export to those destinations? In general, the answer was found to be in the affirmative. Export intensity was positively associated with exporting to Asia, Western Europe, and Africa, whereas export sales growth was negatively associated with exporting to the GCC countries. Also, export profitability was positively related with exporting to Arab countries.

A cluster analysis was conducted to group sample firms based on their export destination markets. Three groups were generated: GCC exporters, Arab exporters, and World exporters. World exporters had significantly higher export intensity than the other two groups. The findings regarding export intensity align with findings by Cooper and Kleinschmidt (1985) and Diamantopoulos (1988) who concluded that wider market coverage was associated with higher export intensity. This is also consistent with the previous discussion that firms who emphasise the importance of the geographic closeness of export markets had a lower export intensity. There was no evidence that exporting to developed or industrialised countries was associated with better export performance as found by Christensen et al. (1987), Das (1994), and Dominguez and Sequeira (1993). Rather, findings support the belief that successful firms were world oriented and exporting to both developed and developing countries.

The last finding about export destination was the profitability of Arab countries. Exporting to Arab countries was positively associated with export profitability. It could be that Saudi Arabian products are highly accepted in Arab countries and have a high image. In addition, it could be a result of the trade agreements[1] that Saudi Arabia has with many Arab countries. These agreements would facilitate Saudi Arabian products to enter these markets, some of which are highly protected, at lower tariffs. Those two reasons could result in a more competitive position for Saudi Arabian products in Arab countries that would result in better profitability. Bilkey (1982) who found that export profitability varies among export countries suggested another possible explanation. He argues that the comparative advantage of manufactured goods may be a function of comparative competition. In other words, firms having comparative advantage in their export market would face less competition and thus realise more profits. This conclusion could be extended to Saudi Arabian exporters exporting to Arab countries as they have comparatively more developed industries.

In conclusion, foreign market variables were associated with export performance. Export intensity was positively associated with world marketing. Export sales growth was negatively associated with exporting to neighbouring GCC countries. At the same time, export profitability was positively related with exporting to Arab countries and negatively associated with exporting to large size export markets.

[1] These agreements are being eliminated by the enforcement of the Free Trade Arab Market Agreement. The agreement was affected on 1/1/1998 and tariffs are reduced by 10% every year to reach a free trade market within 10 years.

6.8. Summary

This chapter presents the study discussion on the variables and elements that are associated with better export performance. Three measures for export performance were used: export intensity, export sales growth, and export profitability. The study hypotheses were tested for each export performance measure and results were presented. This study has covered an uncommonly large number of variables, as it included both internal and external settings.

A major finding of the study, based on the development of the three export performance models, was that each performance measure is basically explained by a different set of variables. This finding supports the conclusion reached by Gemunden (1991) that export performance measures are unrelated and it makes no sense to develop only one model which explains all three variables. This finding also weakens the argument that a unified export performance measure would solve the controversy surrounding the key determinant of export performance (Zou et al., 1998). It rather clarified the fact that for every export objective, there are different key determinants of success. Export intensity was the best explained performance measure based on the variables covered in this study. On the other hand, export sales growth and export profitability had less variability explained. It could be that export sales growth and profitability have other variables that are not covered in this study.

Table 6-1 summarises the characteristics of a successful exporter and the environmental variables influencing their performance. Next chapter covers a summary of the main findings, limitations of the study, and suggestions for further research.

Table 6-1 Summary of Factors associated with successful exporting

Export Intensity	Export Sales Growth	Export Profitability
Firm Differential Advantages ▪ Large firms in terms of size of capital ▪ Exports high quality product that has a technological advancement ▪ Has a formal export organisation (department/ or division) ▪ Has been exporting for a long time	***Firm Differential Advantages*** ▪ Large firms in terms of size of capital ▪ Exports high quality product that has a competitive price ▪ Utilises high technology production systems ▪ Has a formal export organisation (department/ or division) ▪ Has been exporting for a long time	***Firm Differential Advantages*** ▪ Small firm in terms of capital size ▪ Exports high quality product ▪ Utilises high technology production systems ▪ Has been exporting for a long time
Export Marketing Strategy ▪ Has an export policy and plans export activities ▪ Adapts its products to export markets requirements and offers a more standardised export price ▪ Carries out promotional activities and adapts them to export market needs ▪ Conducts market research prior to exporting ▪ Exports to a large number of countries ▪ Senior management frequently visits foreign distributors/customers ▪ Provides after sales services, training, and catalogues to distributors/customers ▪ Explores new opportunities through trade shows, trade missions, and staff visits to export markets ▪ Has a management control system that sets targets for foreign distributors and monitors their performance	***Export Marketing Strategy*** ▪ Has an export policy and plans export activities ▪ Offers a more standardised export price ▪ Carries out promotional activities and adapts them to export market needs ▪ Conducts market research prior to exporting ▪ Exports a large number of products ▪ Exports to a large number of countries ▪ Senior management frequently visits foreign distributors/customers ▪ Provides after sales services, training, and catalogues to distributors/customers ▪ Explores new opportunities through trade missions, and staff visits to export markets ▪ Has a management control system that sets targets for foreign distributors and monitors their performance	***Export Marketing Strategy*** ▪ Exports a large number of products ▪ Explores new opportunities by participation in trade shows
Management ▪ Executive manager has higher education, travel more frequently, and speaks English fluently ▪ Executive manager devotes more time to exporting activities and is willing to allocate resources to export development ▪ Executive manager has high aspirations for market security and high expectations that exports will improve firm image	***Management*** ▪ Executive manager travels frequently, and speaks more foreign languages ▪ Executive manager devotes more time to exporting activities ▪ Executive manager has low aspirations for investment security and high aspirations for market security ▪ Executive manager has high expectations that exports will improve firm image	***Management*** ▪ Executive manager has high export profitability expectations and low sales growth expectations
Local Market Environment ▪ Has a low-growth and small size local market ▪ Faces low competition in local market	***Local Market Environment*** ▪ Faces low competition in the local market	***Local Market Environment*** ▪ Has a high-growth and large size local market
Foreign Market Environment ▪ World exporters, exports to Asia, Western Europe, and Africa and not concerned with geographic or psychological distance	***Foreign Market Environment***	***Foreign Market Environment*** ▪ Exports to Arab countries ▪ Exports to small size export markets

CHAPTER SEVEN
SUMMARY, LIMITATIONS, AND SUGGESTIONS FOR FURTHER RESEARCH

7.1. Introduction

The study was conducted to explore and relate the determinants of firms' export performance using a large number of internal and external variables. An empirical review of export performance literature was reviewed and a theoritical framework for firms' export performance was proposed. Then, a set of hypotheses was developed and tested using cross-sectional data collected from a sample of Saudi Arabian exporters. The results of hypothesis testing were presented and discussed and profiles of exporters were suggested using three different export performance measures.

This chapter presents a summary of the present study. Section 7.2 outlines the main findings of the study organised by performance measure. Section 7.3 discusses the theoretical implications of this research. Section 7.4 presents the managerial implications of this study and how managers can improve their firms' export performance. Section 7.5 describes the policy implications and provides suggestions on how policy makers can formulate export promotion programmes that lead to better export performance by manufacturing firms. Section 7.6 discusses the limitations of this study and Section 7.7 outlines suggestions for further research.

7.2. Summary of Main Findings

The empirical work of this study was carried out in Saudi Arabia based on a mail questionnaire. The sample frame constituted all 550 exporting firms listed in the Saudi Export Directory (Third edition, 1999) and the survey resulted in 154 usable questionnaires representing a response rate of 28.2%. The respondents comprised a cross-section of firms covering food, chemical and petrochemicals, plastic and rubber, machinery and equipment, construction material, and other industrial sectors. The study also included six personal interviews conducted by the researcher with executive managers of exporting firms to obtain an in-depth understanding of the study variables in relation to export performance.

One of the most important conclusions of this study is that export performance measures are basically explained by different sets of variables and that it may not be viable to develop one model to explain all three variables. It was also found that variations in export performance could be explained, to a substantial degree, by differences in internal firm and management characteristics. Export intensity was the best explained performance measure as 59.2% was explained using multiple regression analysis. Export sales growth and export intensity were less explained, as adjusted R square estimate were 0.270 and 0.352, respectively.

The present study also reveals very important findings. These findings are presented in the following sections based on the performance measure classification. Under each performance measure, the findings related to it are discussed.

7.2.1. Export Intensity

Export intensity was the best explained export performance measure. It was significantly and positively associated with product adaptation, carrying out promotional activities, the number of export markets, management time devoted to exporting, and exporting to Asian countries. On the other hand, it was negatively and significantly associated with price adaptation and high local market growth. There were also other variables that were found to correlate with export intensity.

In general, firms with higher export intensity were found to be exporting high quality products that have a technological advantage and they had been exporting for a long time. Also, they had a formal export organisation represented by an export department or division. Those firms have a clear export policy and they prepare plans for their export activities, they also set targets for their export markets and monitor their distributors' performance. They conduct market research prior to export market entry and explore new opportunities through trade shows, trade missions, or through sending their own staff to export markets. They export to a large number of markets and adapt their products to export markets' needs, however they offer a more standardised export price for their export markets. They conduct promotional activities in their export markets and

adapt them to the needs of each individual market. Moreover, firm distributors/customers are frequently visited by the senior management and are provided with training, catalogues, and after sales services.

In addition, senior management of high export intensity firms were found to have higher education, travel more frequently, speak English fluently, and devote a large part of their time to export activities. They held high aspirations regarding market security, high expectations that exporting would improve firm image, and had a high commitment to exporting. Managers of these firms were not concerned about the geographical or psychological closeness of export markets, rather their exports were world oriented. It is also notable that the local market of these firms was small and had slow growth.

7.2.2. Export Sales Growth

Basically, export sales growth was significantly and positively associated with price competitiveness, number of products exported, high expectations about firm image improvement, management time devoted to exporting, and low competition in the local market. On the other hand, it was negatively and significantly associated with management investment security aspirations. In addition, other variables were found to correlate with export sales growth.

Firms that have higher export sales growth export high quality and competitively priced products, probably through utilisation of high technology production systems. They have an export policy, plan their export activities, monitor their distributors'/customers' performance, and have a formal export organisation. They conduct market research prior to market entry, export a large number of products to a large number of countries, conduct promotional activities and adapt them to export market needs. Also, they offer a more standardised export price and explore their export opportunities through sending staff to export markets and participating in trade missions. In addition, distributors/customers are provided with training, catalogues, and after sales services and are visited by the firm's senior management more frequently.

Senior managers of high export sales growth firms devote more time to export activities, travel more frequently, and speak more foreign languages. They also hold high aspirations for market security, high expectations of their firm's image improvement, and low aspirations for investment security. Those firms face low competition in the local market.

7.2.3. Export Profitability

Factors explaining export profitability were significantly different from those explaining export intensity and export sales growth. Firms that realise higher export profitability are smaller in terms of capital size and have been exporting for a long time. They utilise high technology production systems and export a large number of high

quality products. In addition, they participate in trade shows to explore new opportunities and secure new orders. Their management holds high profitability expectations about exporting and low sales growth expectations.

Moreover, the local market of high export profitability firms displays high growth and is highly profitable. This indicates that products that are profitable locally would also be profitable when exported. These firms direct a major portion of their exports to Arab countries and their managers do not target large size export markets.

7.3. Theoretical Implications

This study found that different export performance measures have different determinants and there is a risk of losing valuable information if they are combined in a single unified measure. Although export intensity and export sales growth share many common variables, export profitability has more diverse determinants. The findings also confirmed that determinants of Saudi Arabian exporters' performance (a developing country) are similar to many export determinants found in developed countries.

The present study has substantiated the empirical link between firm differential advantages, export marketing strategy, management quality, local market conditions, and export environment and export performance. The study has also contributed to a more comprehensive understanding of the export performance factors in export marketing.

The study highlights the important effect local market pressures have on export performance. It shows that export profitability is positively associated with local market profitability. It also added a new interesting finding to the export literature that low local market competition is positively associated with export intensity and export sales growth. One possible reason for this is that firms with low competition in local market possess some advantages that would also make them face low competition in the export market.

The study supports the importance of product quality and participation in trade exhibitions for export performance. More importantly, it relates product quality and participation in trade shows to higher export profitability. It also reveals the significance of technological advancement in export performance and that through advanced machinery firms could be able to produce high quality products at more competitive prices.

The findings on export destination led to important conclusions. Higher export intensity is not only associated with exporting to developed or industrialised countries as much research has indicated, rather it is associated with the world orientation in exporting to both developed and developing countries that are not geographically close. It also revealed that exporting to certain markets (in this study Arab countries) could be more profitable than other markets.

7.4. Managerial Implications

The results of this study provide valuable guidelines for firms' managers, especially Saudi Arabian managers. Managers of exporting firms should follow these guidelines to help them achieve better export performance. However, the guidelines are general. Managers should evaluate the appropriateness of these guidelines to their firm's specific characteristics and environment. They should also bear in mind that many of these factors work simultaneously with other factors, thus implementing one single guideline may not result in a better performance.

Management commitment is a very important element in export success. Senior managers of exporting firms should commit themselves, make exporting a central objective, plan export activities, formalise export activity by setting up an export department, and devote adequate time and resources to exploring and developing foreign marketing opportunities. This will drive export operations to cultivate international competence and ensure consistent commitment to export activity.

Firms should seek competitive pricing to maintain an advantageous position in the export market. They should also continue to improve the quality of their products, as this is important for export intensity, growth and profitability. Product quality and competitive price could be achieved with high technology production systems. Managers should consider this factor when upgrading their machinery or setting up new production facilities.

Managers should consider adapting their products to export market needs and offer a more standardised price for export markets. Product adaptation is important only for non-durable consumer products. Managers also have to consider carrying out promotional activities in the export market, as these are positively associated with better export performance. These activities need to be adapted to the export market environment. In adapting promotional activities, managers should take into consideration the cultural values, legal aspects, the media availability, and level of consumer education in different countries.

Managers should follow market and product diversification strategies. The more export countries a firm services the better the export performance. The firm has to be careful not to expand beyond its managerial and production capabilities, this may lead to failure not only in new markets but also in existing export markets. Similarly, a larger number of products is associated with better export sales growth and profitability, so firms should consider developing new products and extending their product ranges.

Managers are advised to develop a network of competent foreign distributors and strengthen their ability to perform marketing, distribution, and customer services. They should visit them and evaluate their capabilities in handling their product range. They also have to consider the local customs and regulations and evaluate the distributor's capabilities of handling them. Proper selection of distributors minimises the risk of exporting and makes the firm management more willing to allocate resources. Senior managers' visits to foreign distributors/customers were found to be very important for

success. Similarly, staff visits to export markets were found to be helpful in exploring export opportunities. Managers should frequently visit foreign distributors/customers and send their staff to explore export opportunities.

Management should systematically explore new opportunities through participation in trade shows and trade missions. Participation in trade exhibitions was found to be very important in export performance and positively related with export profitability. Managers should also conduct market research prior to export market entry, as this is important to support management decisions related to export marketing and to minimise the risk of failure in an export venture. The Internet, although it was not significant in this study, has been recently introduced in Saudi Arabia and has not been around long enough to be able to reflect on its influence. However, managers should consider being abreast of the competition in this area and exhaust all the potential provided by the new technology.

Managers should balance their expectations of export profitability and growth, as they point in conflicting directions. Those who expect growth may sacrifice profitability. A balanced and realistic view of exporting could be a low profit strategy at the early stages of market entry followed by a gradual adjustment after having achieved a reasonable penetration.

Managers should not be content to select foreign markets that are convenient, a nearby market, both geographically and psychologically, as results show that world orientation leads to a considerably higher export intensity and somewhat higher export sales growth. A strategy of convenience may result in missed opportunities. Exporting to Arab countries was found to be profitable and managers are encouraged to investigate the feasibility of entering new Arab markets.

7.5. Policy Implications

As a developing country that is looking to diversify its exports' composition and minimise its reliance on oil exports, Saudi Arabia needs to develop a national policy for export promotion. Saudi Arabian policy makers would benefit from the results of this study to formulate a more effective policy. The following recommendations are based on the study's findings on a sample of Saudi Arabian firms.

To accomplish substantial improvement in private sector exports, government programmes would be more effective if they were designed to make a positive impact on management attitudes and expectations concerning export marketing. Government programmes should stimulate exports by increasing the perceived relative advantages of exporting. Conferences, seminars, and advertising campaigns that explain the benefits of export marketing and publicise success stories of exporting firms, and the dissemination of material describing the basics of exporting would be very helpful. The export development centre established by the private sector lacks the financial resources to pursue this role. There is a need for an official body responsible for export promotion.

There is a need to consider mechanisms to improve the overall environment for exporting through financial support for product and market development activities. Macro-level measures need to be combined with efforts aimed at individual firms. Given the importance of firms' participation in trade exhibitions, the government should encourage, support, and facilitate the participation of Saudi Arabian firms in international trade exhibitions.

Government should benefit from the Internet in export assistance especially in providing information to exporters and as a means of disseminating export procedures. With the evolution of the Internet, it will be more accessible for Saudi Arabian firms to obtain orders, however government should work hard to facilitate shipping as it is a major obstacle in electronic trading.

The government should facilitate the outward movement of Saudi Arabian exports through trade agreements and participation in regional trade markets and international agreements and organisations. It should give special attention to the Free Trade Arab Market Agreement. The study indicated that exporting to Arab countries is more profitable, and also indicated that Saudi Arabian exporters have the advantage of having a more developed industrial sector compared with other Arab countries. Thus, Saudi Arabian exporters would gain substantial benefits by implementation of this agreement.

Given the need to minimise exporting risk and increase payment security, the government should consider a national agency for export finance and insurance. Although Saudi Arabia is a member of a few regional programmes, these programmes promote exports between member countries and are designed to support less-developed countries. These programmes may not accommodate Saudi Arabian exporters' needs. A national body for financing and guaranteeing Saudi Arabian exports would provide schemes suitable for Saudi Arabian exporters and would play an important role in any government export promotion programme.

7.6. Limitations of the Study

The present study, like any research, has its limitations. These limitations should be kept in mind when interpreting the research findings. The study sample represents Saudi Arabian exporting manufacturing firms and caution must be taken in generalising the findings and implications beyond the study sample. Also, the cross-sectional nature of the study does not enable the researcher to delve into the issues of causality. Although various managerial, organisational, and environmental variables have been shown to correlate with export marketing activity, the causality question remains unanswered. It is to be hoped that future longitudinal studies will provide us with more insight into the dynamic aspects of firms' export behaviour.

This study was conducted at the firm level and there could be differences at the market-venture level. Although the reasons for the study were explained earlier, further studies at the venture level, especially for export marketing strategy in developing countries, would add substantial information to the export literature. Also, firms may have different products at different stages of the product life cycle.

The main source of the study data was based on executive managers' views and perceptions. There is a possible bias of over-reporting of export performance and under-reporting of management weaknesses. Although the carefully drafted cover letter emphasises the confidentiality of their responses and they were not asked to report their names, there can be no guarantee that this bias has been fully eliminated.

Although widely used in the export performance literature, some measures of export performance factors are not explicit. Product quality, product uniqueness, and price competitiveness are examples. In this research, as in most studies reviewed, these factors were operationalised subjectively by asking respondents to compare their products with their competitors' products, however, it lacks objectivity and thus could be interpreted differently by different managers. It is to be hoped that future research will focus on developing more objective measures of these variables.

In light of these limitations, the results should be regarded as being advisory rather than definitive and the conclusions as tentative.

7.7. Suggestions for Further Research

The limitations of this study suggest various avenues for future research. Also, during the course of this study, several findings indicated the need for further investigation. This study was unusual in that it investigated the influence of a large number of internal and external variables on the export performance of Saudi Arabian exporting firms. Future research duplicating this study's variables and performance measures would be important. Such studies, if conducted on Saudi Arabian exporters, would confirm the findings of this study and if conducted within other developing countries would confirm the generalisability of these findings.

The study utilised regression analysis to assess the contribution of various independent variables identified in the survey under main categories in explaining the export performance measures. Future research can also be directed to assess the contribution of these main categories in explaining the export performance using cluster analysis. Such analysis can also be applied to compare different clusters of export markets: e.g. Arab and non-Arab.

This study was a cross-sectional one and could not delve into the issues of causality. It is to be hoped that future longitudinal studies will provide us with more insight into the dynamic aspects of firms' export behaviour. Moreover, The study used the firm as the unit of analysis, which did not enable the research to investigate the success of different ventures within the firm. Although information on export ventures is difficult to obtain in many developing countries, future research should consider the

possibility of this particular approach, in order to provide more insight into export performance determinants.

Although this study has covered many internal and external variables, there are many further variables that can be studied in-depth and related to export performance: variables related to marketing strategy such as product adaptation, promotional activities, distribution channels, pricing, and distributor support, especially at the product type level. The study includes only exporting firms and findings may be limited to the study sample. However, one would like to see studies that investigate the determinants of non-exporters' involvement in exporting within the Saudi Arabian environment.

In this study low competition in the local market was found to be positively related with export performance. This finding is interesting as local market attractiveness is thought to hinder export performance. However, this finding, in addition to uncovering the positive relation between local market profitability and export profitability, indicates that successful firms within the local market may be successful in exporting. This assumption needs to be investigated in future research.

As the Internet was recently introduced into Saudi Arabia, one would like to see future studies investigating the influence of the Internet on export success, especially in market research, opportunities exploration, customer support, and distributor support.

This study found that different measures of export performance are explained by different sets of variables and led to the conclusion that aggregating these measures in a

single unified measure nullifies many important variables. This finding needs further investigation before researchers develop unified measures of export performance.

7.8. Concluding Remarks

It is believed that the objectives of the present study have been achieved. Many factors were determined to be associated with successful Saudi Arabian exporters. Some are similar to those in other developed and developing countries, and some are different. Three export performance measures were used. Profiles of successful Saudi Arabian exporters were drawn for each measure. Theoretical, managerial, and policy implications were discussed.

It is the researcher's belief that the development of Saudi Arabian manufactured exports is a fundamental determinant of any economic development in Saudi Arabia. This belief led the researcher to carry out this study. It is hoped that this work will light the way for Saudi Arabian exporters to improve their export performance and compete worldwide. It is also hoped that this work will help policy makers develop effective export promotional programmes.

Finally, it is hoped that this work will provide a basis for future research in export performance, especially in developing countries, and that the results of this research will help scholars in their endeavour to develop a theory of the firm's export performance.

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THE QUESTIONNAIRE

Part One - Export Marketing Strategy

(Please circle your choice)

Q1. Does your firm have a formal policy to start and expand exports? **YES / NO**
(Do you carry out exporting activities based on management instruction as an important function)

Q2. For each of the following statements, please indicate the extent to which you agree or disagree?

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.	Our products' quality is among the highest in the industry	1	2	3	4	5
b.	Our products are unique	1	2	3	4	5
c.	Our products' export prices are very competitive	1	2	3	4	5
d.	Our export credit terms are very competitive	1	2	3	4	5
e.	Our distribution network fully covers the Saudi market	1	2	3	4	5
f.	Our staff who handle export activities are very professional and knowledgeable	1	2	3	4	5
g.	Compared with our competitors' products, our products have a technological advantage over them	1	2	3	4	5
h.	Compared with our competitors, our production systems/machines are very advanced	1	2	3	4	5
i.	Our firm has ample unutilized production capacity	1	2	3	4	5
j.	Our firm has adequate financial resources to invest in developing export markets.	1	2	3	4	5

Q3. Please indicate the extent to which your firm carries out the following activities?

		Very Frequently	Quite Frequently	Sometimes	Hardly	Never
a.	We prepare plans for our exporting activities	5	4	3	2	1
b.	We meet our distributor/customer delivery dates	5	4	3	2	1
c.	We conduct detailed market research before exporting to a foreign market	5	4	3	2	1
d.	We rely on our staff in doing export market research	5	4	3	2	1
e.	In our export market research, we rely on reports published by public agencies (e.g. government, chamber of commerce, export development center).	5	4	3	2	1
f.	Our firm explores new export opportunities in foreign markets	5	4	3	2	1
g.	Our firm prepares export sales target for each export country	5	4	3	2	1
h.	We closely monitor the performance of our distributors in export market	5	4	3	2	1
i.	Our export price is higher than local market price	5	4	3	2	1
j.	We carry out promotional activities in export markets	5	4	3	2	1

Q4. Please indicate to what extent, if at all, modifications are made to the following elements to suit the export market requirements.

		Major	Moderate	Some	Minor	None
a.	Product logo or brand name	5	4	3	2	1
b.	Product design /specifications	5	4	3	2	1
c.	Product package	5	4	3	2	1
d.	Product quality	5	4	3	2	1
e.	Product price	5	4	3	2	1
f.	Distribution channel	5	4	3	2	1
g.	Credit terms	5	4	3	2	1
h.	Promotional activities	5	4	3	2	1

Q5. Please indicate the extent to which your firm relies on each of the following elements in pricing for an export venture?

		Very Frequently	Quite Frequently	Sometimes	Hardly	Never
a.	Full cost plus profit margin	5	4	3	2	1
b.	Variable cost plus profit margin	5	4	3	2	1
c.	Pricing by reference to competitors price	5	4	3	2	1
d.	Judgment of what the market will bear	5	4	3	2	1
e.	Offering quantity discounts	5	4	3	2	1
f.	Offering extended credit terms	5	4	3	2	1
g.	Other (please specify)	5	4	3	2	1

Q6. Please indicate the extent to which your firm relies on each of the following elements in exploring new opportunities for export venture?

		Very Frequently	Quite Frequently	Sometimes	Hardly	Never
a.	Unsolicited orders	5	4	3	2	1
b.	International trade shows and exhibitions	5	4	3	2	1
c.	Trade missions	5	4	3	2	1
d.	Advertising in trade journals and directories	5	4	3	2	1
e.	Internet advertisement and publicity	5	4	3	2	1
f.	Sending our staff to visit overseas markets	5	4	3	2	1
g.	Other (please specify)	5	4	3	2	1

Q7. Please indicate the extent to which your firm relies on each of the following channel of distribution in exporting your products?

		Very Frequently	Quite Frequently	Sometimes	Hardly	Never
a.	Saudi intermediaries	5	4	3	2	1
b.	Saudi export companies	5	4	3	2	1
c.	Foreign market intermediaries	5	4	3	2	1
d.	Foreign distributors/agents	5	4	3	2	1
e.	Our own subsidiary (foreign branch)	5	4	3	2	1
f.	Direct sale to final customer in export market	5	4	3	2	1
g.	Other (please specify)	5	4	3	2	1

Q8. Please indicate the extent to which your firm relies on each of the following means <u>in supporting your foreign distributor/customer</u>?

		Very Frequently	Quite Frequently	Sometimes	Hardly	Never
a.	Senior management visit our foreign customers/distributors	5	4	3	2	1
b.	Provide training for our foreign distributors	5	4	3	2	1
c.	Provide after sales services to our export markets	5	4	3	2	1
d.	Provide catalogues and brochures	5	4	3	2	1
e.	Share costs of promotional activities	5	4	3	2	1
f.	Other (please specify)	5	4	3	2	1

Part Two – Environmental Variables

Q9. For each of the following statements <u>regarding the Saudi environment</u>, please indicate the extent to which you agree or disagree?

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.	The Saudi market size of our products is very large	1	2	3	4	5
b.	The competition in local market is very limited	1	2	3	4	5
c.	The demand growth of our products in the Saudi market is very high	1	2	3	4	5
d.	The profitability of Saudi market sales is very high	1	2	3	4	5
e.	Government assistance for export activities is adequate	1	2	3	4	5
f.	Saudi Riyal exchange rate fluctuations are negatively influencing our export marketing	1	2	3	4	5
g.	It is easy to ship/transport our exports to foreign markets	1	2	3	4	5
h.	Shipping costs of our products are expensive	1	2	3	4	5
i.	There are adequate export intermediaries in Saudi Arabia	1	2	3	4	5
j.	Export procedures in Saudi Arabia are simple	1	2	3	4	5
k.	There are adequate local financial institutions to support export transactions	1	2	3	4	5

Q10. How important each of the following <u>elements about an export country in your firm's decision to develop an export venture to that country</u>?

		Not Important	Slightly Important	Important	Very Important	Extremely Important
a.	Having low trade barriers	1	2	3	4	5
b.	Being geographically close	1	2	3	4	5
c.	Having well developed infrastructure	1	2	3	4	5
d.	Having large market size for our products	1	2	3	4	5
e.	Availability of distribution channels for our products	1	2	3	4	5
f.	Availability of information about export market	1	2	3	4	5
g.	Being similar to Saudi culture	1	2	3	4	5
h.	Having high security of payment	1	2	3	4	5
i.	Availability of trade agreement	1	2	3	4	5
j.	Having low competition for our products	1	2	3	4	5

Q11. For each of the following regions, please indicate the percentage of your 1999 exports sales that goes to each of them?

	Region	Percentage of Export Sales
a.	Gulf Countries	%
b.	Arab Countries (non GCC)	%
c.	Japan	%
d.	Asian countries (non Arab and not including Japan)	%
e.	Western Europe	%
f.	North America	%
g.	Africa (Non Arab)	%
h.	Eastern Europe and USSR	%
i.	Other countries	%

Part Three – Performance Measures

Q12. On average, how would you rate your firm's performance during the last three years (1997, 1998 and 1999)?

		Far Above Expectations	Moderately Above Expectations	As Expected	Moderately Below Expectations	Far Below Expectations
a.	Export Sales Volume	5	4	3	2	1
b.	Export Sales Growth	5	4	3	2	1
c.	Export Profitability	5	4	3	2	1

Q13. What was your firm's export sales percentage of total sales in the last three years?

Year	Exports as a percentage of total sales
1999	%
1998	%
1997	%

Q14. What was your firm's annual export sales increase (decrease) in the last three years?

Year	Export sales increase (decrease) over previous year
1999	% more (less) than 1998 exports
1998	% more (less) than 1997 exports
1997	% more (less) than 1996 exports

Part Four – Manager Characteristics

Q15. What is your current position? _____

Q16. How long you have been in this position? _____ **years**

Q17. What is your Age? _____ **years**

Q18. What is your highest formal education?

High School or below	Some college /Diploma or equivalent	Bachelor Degree	Masters Degree or Equivalent	Ph.D. or Equivalent	Others (_____)

Q19. How many years have you been involved in international business (either in this firm or in your previous career positions)?

Less than 2 years	2 – 5 years	6 – 10 years	11 – 15 years	16 – 20 years	More than 20 years

Q20. How many years you have been working with this firm?

Less than a year	1 – 3 years	4 – 10 years	11 – 15 years	16 – 20 years	More than 20 years

Q21. What is your Nationality?

Saudi	Arabic (Non-Saudi)	Asian (Non-Arab)	West European or North American	Others

Q22. On average, how many times per year do you travel outside the country (For both business and leisure)?

Never	1-5 times	6 – 10 times	11 – 15 times	More than 15 times

Q23. How do you feel when travelling for business?

Very Boring	Boring	Neutral	Enjoyable	Very Enjoyable

Q24. How do you see interaction with other cultures and their customs?

Very Boring	Boring	Neutral	Enjoyable	Very Enjoyable

Q25. How many hours per month approximately do you spend in developing your export sales?

Less than 10 hours	10-20 hours	21-40 hours	41-60 hours	61-100 hours	More than 100 hours

Q26. How is your foreign language? *(Circle One choice for each language)*

		Don't Speak	poor	Fair	Good	Excellent
a.	English	1	2	3	4	5
b.	French	1	2	3	4	5
c.	German	1	2	3	4	5
d.	Spanish	1	2	3	4	5
e.	Other language (specify _____)	1	2	3	4	5

Q27. How important is each of the following objectives to your firm? *(Circle One choice for each objective)*

		Not Important	Slightly Important	Important	Very Important	Extremely Important
a.	Increasing the firm sales (Growth)	1	2	3	4	5
b.	Increasing the firm profitability (Profitability)	1	2	3	4	5
c.	Reducing investment risk (Security)	1	2	3	4	5
d.	Spreading over many markets to minimize the risk of market fluctuations.	1	2	3	4	5
e.	Other (specify)	1	2	3	4	5

Q28. As an executive manager of the firm, how do you evaluate your willingness in handling the following issues? *(Circle One choice for each issue)*

		Not Willing	Slightly Willing	Willing	Mostly Willing	Completely Willing
a.	Devoting your time to develop export venture	1	2	3	4	5
b.	Allocating resources to explore and expand export markets	1	2	3	4	5
c.	Training and developing export staff	1	2	3	4	5
d.	Recruiting professional staff to handle export activities	1	2	3	4	5
e.	Investing in market research to explore new export opportunities	1	2	3	4	5
f.	Decrease export sales to meet local market demand	1	2	3	4	5

Q29. How do you expect exporting to help your firm? *(Circle One choice for each element)*

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
a.	Exports could increase our firm's total sales	1	2	3	4	5
b.	Exports could increase our firm's profitability	1	2	3	4	5
c.	Exports will help minimize the risk of relying on local market	1	2	3	4	5
d.	Exports could improve our firm and brand image	1	2	3	4	5
e.	Exports could help us achieve economy of scale by increasing our production and reducing our costs	1	2	3	4	5
f.	Other (specify)	1	2	3	4	5

Part Five – Firm Competitive Advantage

Q30. In what industry is your firm classified? *(Choose One ✓)*

1. Food and beverages ☐
2. Textiles, apparel and leather ☐
3. Wood and wood products ☐
4. Paper products, printing and publishing ☐
5. Chemicals and petrochemicals ☐
6. Plastic and rubber products ☐
7. Construction materials, Chinaware, Ceramics and Glass ☐
8. Metal products, machinery and equipment ☐
9. Others _____ ☐

Q31. Which best describes your principal product? *(Choose One ✓)*

1. Consumer product (non-durable) ☐
   A product bought by final customers for personal consumption (consumed in one or few uses).
2. Consumer product (durable) ☐
   A product bought by final customers for personal consumption (used over extended period of time and survives many uses).
3. Industrial product ☐
   A product bought by individuals and organizations for further processing or for use in conducting a business.
4. Other _____ ☐

Q32. What best describes your firm ownership? *(Choose One ✓)*

1. Sole Proprietorship or partnership ☐
2. Limited Liability Company ☐
3. Joint Stock Company ☐
4. Other (Please specify) ☐
   _____

Q33. What is the foreign investor share (if any)? _____ **%** **Nationality** _____

Q34. How many people does your firm employ? _____ **Employees**

Q35. How much is the capital of your firm? _____ **Million SR**

Q36. How many years have your firm been in business? _____ **Years**

Q37. How many years since your firm started exporting? _____ **Years**

Q38. Please indicate approximately your firm's market share in the Saudi market? _____**%**

Q39. Please indicate how many product' lines your firm currently exports? _____ **Products**

Q40. Please indicate to how many countries your firm currently exports? _____ **Countries**

Q41. Does your firm have a separate export department/division that handle export activities? **YES /NO**

Q42. Does your firm have a quality control department (or division)? **YES / NO**

Q43. Does your firm have any ISO-9000 certificate? **YES / NO**

Q44. Does your firm have a Web site on the Internet? **YES / NO**

THANK YOU VERY MUCH FOR YOU TIME AND SUPPORT

Please mail the completed questionnaire in the enclosed self-addressed envelope to the following address:

الإستبانة

الجزء الأول – إستراتيجية تسويق الصادرات

(أرجو أن تضع دائرة حول إجابتك)

س١. هل لدى منشأتكم سياسة رسمية لبدء وتطوير الصادرات ؟ نعم / لا

(يعني هل تقومون بعمليات التصدير بتوجيه من الإدارة العليا كنشاط رئيسي ومهم للمنشأة)

س٢. ، أرجو الإشارة إلى أي درجة توافق أو لا توافق على كل من العبارات التالية؟

		لا أوافق أبدا	لا أوافق	محايد	أوافق	أوافق بشدة
أ	جودة منتجاتنا تعتبر من أعلى مستويات الجودة	١	٢	٣	٤	٥
ب	منتجاتنا فريدة من نوعها (ليس لها منتجات مماثلة)	١	٢	٣	٤	٥
ج	أسعار منتجاتنا التصديرية منافسة جداً	١	٢	٣	٤	٥
د	تسهيلات الدفع التي نمنحها للمستوردين منافسة جداً (مثل الدفع بالآجل)	١	٢	٣	٤	٥
هـ	شبكة توزيع منتجاتنا تغطي سوق المملكة بالكامل	١	٢	٣	٤	٥
و	موظفينا الذين يشرفون على نشاط التصدير مؤهلين جداً	١	٢	٣	٤	٥
ز	مقارنة بمنافسينا في أسواق التصدير، تعتبر منتجاتنا متقدمة على منتجاتهم تقنيا	١	٢	٣	٤	٥
ح	مقارنة بمنافسينا في أسواق التصدير، تعتبر أنظمة ومعدات الإنتاج لدينا متقدمة عليهم	١	٢	٣	٤	٥
ط	لدى منشأتنا طاقة إنتاجية كبيرة غير مستخدمة	١	٢	٣	٤	٥
ي	لدى منشأتنا الموارد المالية الكافية للاستثمار في تطوير أسواق التصدير	١	٢	٣	٤	٥

س٣. أرجو الإشارة إلى أي مدى تقومون بالنشاطات التالية؟

		دائماً	في معظم الأحيان	بعض الأحيان	نادرا	أبدا
أ	نقوم بإعداد خطط لنشاطنا التصديري	٥	٤	٣	٢	١
ب	نلتزم بمواعيد التسليم لموزعينا/عملائنا في الخارج	٥	٤	٣	٢	١
ج	نقوم بإعداد دراسة سوق تفصيلية للأسواق الخارجية قبل بدء التصدير لها	٥	٤	٣	٢	١
د	نعتمد على موظفينا في إعداد دراسات الأسواق التصديرية	٥	٤	٣	٢	١
هـ	نعتمد في دراساتنا لأسواق التصدير على تقارير الهيئات العامة (الوزارات والهيئات الحكومية، الغرف التجارية، مركز تنمية الصادرات)	٥	٤	٣	٢	١
و	نقوم باستكشاف الفرص في الأسواق الخارجية	٥	٤	٣	٢	١
ز	نقوم بتحديد هدف لحجم مبيعات التصدير لكل دولة نصدر لها	٥	٤	٣	٢	١
ح	نقوم بمراقبة دقيقة لأداء موزعينا في الأسواق التصديرية	٥	٤	٣	٢	١
ط	أسعار منتجاتنا للتصدير أعلى من أسعارها للسوق المحلي	٥	٤	٣	٢	١
ي	نقوم بنشاطات ترويجية (دعاية وإعلان) في أسواق الدول المصدر لها	٥	٤	٣	٢	١

س٤. أرجو الإشارة إلى أي درجة تقومون بتغيير كل من العناصر التالية لتناسب متطلبات السوق التصديرية؟

		تغيير كبير جدا	تغيير متوسط	بعض التغيير	تغيير بسيط جدا	لا تغيير
أ	اسم أو علامة المنتج	٥	٤	٣	٢	١
ب	تصميم المنتج/مواصفاته	٥	٤	٣	٢	١
ج	تغليف المنتج	٥	٤	٣	٢	١
د	جودة المنتج	٥	٤	٣	٢	١
هـ	سعر المنتج	٥	٤	٣	٢	١
و	قنوات التوزيع	٥	٤	٣	٢	١
ز	شروط التسهيلات والدفع	٥	٤	٣	٢	١
ح	النشاطات الترويجية	٥	٤	٣	٢	١

س٥. أرجو الإشارة إلى درجة اعتماد منشأتكم على كل من الطرق التالية في تسعير منتجاتكم للأسواق التصديرية ؟

		بكثرة جدا	بكثرة	بعض الأحيان	نادرا	لا يستخدم
أ	إجمالي التكلفة بالإضافة لهامش ربح	٥	٤	٣	٢	١
ب	التكلفة المتغيرة بالإضافة لهامش ربح (لا تشمل التكاليف الثابتة)	٥	٤	٣	٢	١
ج	التسعير مقارنة بأسعار المنافسين	٥	٤	٣	٢	١
د	تقدير السعر الذي يمكن أن يقبله السوق	٥	٤	٣	٢	١
هـ	تقديم خصومات للكميات	٥	٤	٣	٢	١
و	تقديم شروط ميسرة للدفع (مثل الدفع بعد ٦٠ يوم وما شابها)	٥	٤	٣	٢	١
ز	أخرى (الرجاء تحديدها)	٥	٤	٣	٢	١

س٦. أرجو الإشارة إلى درجة اعتماد منشأتكم على كل من الطرق التالية في استكشاف الفرص التصديرية في الأسواق الخارجية ؟

		بكثرة جدا	بكثرة	بعض الأحيان	نادرا	لا يستخدم
أ	طلبات تلقائية من المستوردين بدون بحث أو جهد	٥	٤	٣	٢	١
ب	المعارض التجارية الدولية	٥	٤	٣	٢	١
ج	الوفود التجارية للخارج	٥	٤	٣	٢	١
د	الإعلان في المجلات و الأدلة التجارية	٥	٤	٣	٢	١
هـ	استخدام الإعلان عبر الإنترنت	٥	٤	٣	٢	١
و	إرسال موظفينا لزيارة الأسواق الخارجية	٥	٤	٣	٢	١
ز	أخرى (الرجاء تحديدها)	٥	٤	٣	٢	١

س٧. أرجو الإشارة إلى درجة اعتماد منشأتكم على كل من قنوات التسويق التالية ؟

		بكثرة جدا	بكثرة	بعض الأحيان	نادرا	لا يستخدم
أ	وسطاء تصدير في السعودية (الوسيط لا يمتلك ولا يحوز البضاعة)	٥	٤	٣	٢	١
ب	شركات تصدير في السعودية	٥	٤	٣	٢	١
ج	وسطاء في الدولة المصدر لها (الوسيط لا يمتلك ولا يحوز البضاعة)	٥	٤	٣	٢	١
د	موزعين أو وكلاء في الدولة المصدر لها	٥	٤	٣	٢	١
هـ	فرع للمنشأة في الدولة المصدر لها	٥	٤	٣	٢	١
و	البيع المباشر من المملكة للمستهلك النهائي في الدولة المصدر لها	٥	٤	٣	٢	١
ز	أخرى (الرجاء تحديدها)	٥	٤	٣	٢	١

س٨. أرجو الإشارة إلى درجة اعتماد منشأتكم على كل من الطرق التالية لدعم موزعيكم وعملائكم في الخارج ؟

		بكثرة جدا	بكثرة	بعض الأحيان	نادرا	لا يستخدم
أ	قيام الإدارة العليا بزيارة الموزعين والعملاء في الخارج	٥	٤	٣	٢	١
ب	توفير التدريب لموزعينا وعملائنا في الخارج	٥	٤	٣	٢	١
ج	توفير خدمة ما بعد البيع في أسواق التصدير	٥	٤	٣	٢	١
د	توفير الكتالوجات والمطبوعات	٥	٤	٣	٢	١
هـ	المشاركة مع الموزعين في تكاليف الأنشطة الترويجية في الخارج.	٥	٤	٣	٢	١
و	أخرى (الرجاء تحديدها)	٥	٤	٣	٢	١

الجزء الثاني – العوامل البيئية

س٩. أرجو الإشارة إلى أي درجة توافق أو لا توافق على كل من الجمل التالية حول السوق السعودي؟

		لا أوافق أبدا	لا أوافق	محايد	أوافق	أوافق بشدة
أ	حجم السوق السعودي لمنتجاتنا كبير جداً	١	٢	٣	٤	٥
ب	المنافسة في السوق السعودي لمنتجاتنا محدودة جدا	١	٢	٣	٤	٥
ج	نمو الطلب على منتجاتنا في السوق السعودي عالي جدا	١	٢	٣	٤	٥
د	ربحية مبيعات منتجتنا في السوق السعودي عالية جدا	١	٢	٣	٤	٥
هـ	المساعدات الحكومية للنشاطات التصديرية كافية	١	٢	٣	٤	٥
و	تذبذب سعر صرف الريال (مع العملات الأخرى) يؤثر سلبا على تسويق صادراتنا	١	٢	٣	٤	٥
ز	من السهل شحن أو نقل منتجاتنا لأسواق التصدير	١	٢	٣	٤	٥
ح	تكاليف الشحن لمنتجاتنا مرتفعة	١	٢	٣	٤	٥
ط	يتوفر في المملكة وسطاء تصدير بشكل كافي	١	٢	٣	٤	٥
ي	إجراءات التصدير في المملكة سهلة جدا	١	٢	٣	٤	٥
ك	توجد مؤسسات تمويل كافية لتمويل العمليات التصديرية	١	٢	٣	٤	٥

س١٠. أرجو الإشارة إلى مدى أهمية كل من العناصر التالية في التأثير على قرار منشأتكم بالدخول في سوق تصديرية جديدة وتطويرها ؟

		غير مهم	مهم بعض الشيء	مهم	مهم جدا	مهم جدا جدا
أ	أن تكون الحواجز التجارية قليلة جدا	١	٢	٣	٤	٥
ب	أن تكون الدولة المصدر لها قربة منا جغرافياً	١	٢	٣	٤	٥
ج	أن تكون البنية التحتية للدولة المصدر لها متكاملة	١	٢	٣	٤	٥
د	أن يكون حجم السوق لمنتجاتنا في الدولة المصدر لها كبير	١	٢	٣	٤	٥
هـ	أن تتوفر قنوات التوزيع لمنتجاتنا في الدولة المصدر لها	١	٢	٣	٤	٥
و	أن تتوفر معلومات عن الدولة المصدر لها	١	٢	٣	٤	٥
ز	أن تتشابه العادات والتقاليد مع الدولة المصدر لها مع عاداتنا وتقاليدنا	١	٢	٣	٤	٥
ح	أن تتوفر ضمانات لتحصيل أموالنا	١	٢	٣	٤	٥
ط	أن تكون هناك اتفاقيات تجارية مع الدولة المصدر لها	١	٢	٣	٤	٥
ي	أن تكون درجة المنافسة في سوق الدولة المصدر لها منخفضة	١	٢	٣	٤	٥

س١١. أرجو تحديد النسبة من صادرات منشأتكم لكل من الدول والمناطق التالية ؟

	الجهة	النسبة
أ	دول مجلس التعاون الخليجي	%
ب	الدول العربية (باستثناء دول مجلس التعاون الخليجي)	%
ج	اليابان	%
د	الدول الآسيوية (باستثناء ما سبق)	%
هـ	أوربا الغربية	%
و	أمريكا الشمالية	%
ز	أفريقيا (باستثناء الدول العربية)	%
ح	أوربا الشرقية ودول الاتحاد السوفيتي سابقا	%
ط	دول أخرى	%

الجزء الثالث — مقاييس الأداء التصديري

يعتبر هذا الجزء من أهم أسئلة الإستبانة وأرجو شاكراً التكرم بتعبئته بدقة وعدم إهمال أي سؤال

س١٢. كيف تقيم أداء منشأتك التصديري لكل من العناصر التالية خلال الثلاث سنوات الماضية؟

		أعلى من المتوقع بكثير	أعلى من المتوقع قليلا	حسب المتوقع	أقل من المتوقع قليلا	أقل من المتوقع بكثير
أ	حجم مبيعات الصادرات	٥	٤	٣	٢	١
ب	نمو مبيعات الصادرات	٥	٤	٣	٢	١
ج	ربحية النشاط التصديري	٥	٤	٣	٢	١

س١٣. كم كانت نسبة قيمة الصادرات إلى إجمالي قيمة المبيعات في منشأتكم خلال الثلاث سنوات الأخيرة؟

	العام	نسبة قيمة الصادرات إلى إجمالي قيمة المبيعات
أ	عام ١٩٩٩	%
ب	عام ١٩٩٨	%
ج	عام ١٩٩٧	%

س١٤. كم كانت نسبة الزيادة السنوية (أو النقص) في قيمة الصادرات في منشأتكم خلال الثلاث سنوات الأخيرة؟

	العام	نسبة زيادة (نقص) قيمة صادرات العام مقارنة بصادرات العام السابق
أ	عام ١٩٩٩	% أكثر (أقل) من عام ١٩٩٨
ب	عام ١٩٩٨	% أكثر (أقل) من عام ١٩٩٧
ج	عام ١٩٩٧	% أكثر (أقل) من عام ١٩٩٦

الجزء الرابع – صفات المدير (معبئ الاستبيان)

س١٥. ما هو منصبك الحالي ؟ _____

س١٦. كم لك في منصبك الحالي ؟ _____ سنة

س١٧. كم عمرك ؟ _____ سنة

س١٨. ما هو أعلى مستوى تعليمي حصلت عليه ؟ (ضع دائرة حول اختيارك)

الثانوي أو اقل	دبلوم أو ما يعادلها أو بعض الدراسة الجامعية	البكالوريوس	الماجستير أو ما يعادلها	الدكتوراه أو ما يعادلها	أخرى (_____)

س١٩. كم عدد سنوات خبرتك في التجارة الدولية (مع هذه المنشأة أو في وظائف سابقة) ؟ (ضع دائرة حول اختيارك)

اقل من سنتين	٢-٥ سنوات	٦-١٠ سنوات	١١-١٥ سنة	١٦-٢٠ سنة	اكثر من ٢٠ سنة

س٢٠. كم عدد سنوات عملك في هذه المنشأة ؟ (ضع دائرة حول اختيارك)

اقل من سنة	١-٣ سنوات	٤-١٠ سنوات	١١-١٥ سنة	١٦-٢٠ سنة	اكثر من ٢٠ سنة

س٢١. ما هي جنسيتك ؟ (ضع دائرة حول اختيارك)

سعودي	عربي (غير سعودي)	آسيوي (غير عربي)	أوربي أو أمريكي شمالي	أخرى

س٢٢. كم عدد مرات سفرك إلى الخارج في السنة (للعمل والسياحة) ؟ (ضع دائرة حول اختيارك)

لا أسافر	١-٥ سفرات	٦-١٠ سفرات	١١-١٥ سفرة	اكثر من ١٥ سفرة

س٢٣. ما هو شعورك عندما تسافر للعمل ؟ (ضع دائرة حول اختيارك)

ممل جدا	ممل	لا فرق (محايد)	ممتع	ممتع جدا

س٢٤. كيف ترى الاختلاط بالثقافات الأخرى وعاداتهم وتقاليدهم ؟ (ضع دائرة حول اختيارك)

ممل جدا	ممل	لا فرق (محايد)	ممتع	ممتع جدا

س٢٥. كم ساعة في الشهر تقضيها لمتابعة تطوير صادرات منشأتكم ؟ (ضع دائرة حول اختيارك)

اقل من ١٠ ساعات	١٠-٢٠ ساعة	٢١-٤٠ ساعة	٤١-٦٠ ساعة	٦١-١٠٠ ساعة	اكثر من ١٠٠ ساعة

س٢٦. ما مدى إجادتك للغات الأجنبية ؟ (ضع دائرة حول اختيارك)

		لا أجيدها	ضعيف	مقبول	جيد	ممتاز
أ	اللغة الإنجليزية	١	٢	٣	٤	٥
ب	اللغة الفرنسية	١	٢	٣	٤	٥
ج	اللغة الألمانية	١	٢	٣	٤	٥
د	اللغة الأسبانية	١	٢	٣	٤	٥
هـ	لغات أخرى (أرجو تحديدها _____)	١	٢	٣	٤	٥

س٢٧. ما مدى أهمية كل من الأهداف التالية لمنشأتك ؟ (ضع دائرة حول اختيارك)

		غير مهم	مهم بعض الشيء	مهم	مهم جدا	مهم جدا جدا
أ	زيادة المبيعات (النمو)	١	٢	٣	٤	٥
ب	زيادة ربحية المنشأة (الربحية)	١	٢	٣	٤	٥
ج	تقليل مخاطر الاستثمار (الأمان)	١	٢	٣	٤	٥
د	الانتشار في أسواق عديدة لتقليل مخاطر تقلبات الأسواق	١	٢	٣	٤	٥
هـ	أخرى (_____)	١	٢	٣	٤	٥

س٢٨. كيف تقيم رغبتك كمدير تنفيذي للمنشأة للتعامل مع الأمور التالية؟ (ضع دائرة حول اختيارك)

		غير راغب	راغب قليلا	راغب	راغب في معظم الأحيان	راغب تماما
أ	تخصيص وقتك لتطوير النشاط التصديري	١	٢	٣	٤	٥
ب	تخصيص موارد المنشأة لاستكشاف وتطوير أسواق التصدير	١	٢	٣	٤	٥
ج	تدريب وتطوير موظفي التصدير	١	٢	٣	٤	٥
د	استقطاب موظفين مؤهلين لتدبير النشاط التصديري	١	٢	٣	٤	٥
هـ	الاستثمار في بحوث السوق لاستكشاف فرص تصديرية جديدة	١	٢	٣	٤	٥
و	تقليل مبيعات التصدير لمقابلة الزيادة في طلبات السوق المحلي	١	٢	٣	٤	٥

س٢٩. كيف تتوقع أن يفيد التصدير منشأتكم؟ (ضع دائرة حول اختيارك)

		لا أوافق أبدا	لا أوافق	محايد	أوافق	أوافق بشدة
أ	الصادرات قد تزيد إجمالي مبيعات المنشأة	١	٢	٣	٤	٥
ب	الصادرات قد تزيد ربحية المنشأة	١	٢	٣	٤	٥
ج	الصادرات قد تقلل مخاطر الاعتماد على السوق المحلي	١	٢	٣	٤	٥
د	الصادرات قد تحسن صورة الشركة والمنتجات	١	٢	٣	٤	٥
هـ	الصادرات قد تساعد على تحقيق اقتصاديات الحجم بزيادة إنتاجنا وتخفيض التكاليف	١	٢	٣	٤	٥
و	أخرى (_____)	١	٢	٣	٤	٥

الجزء الخامس – معلومات عن المنشأة

س٣٠. في أي القطاعات الإنتاجية يمكن تصنيف منشأتكم ؟ (ضع علامة ✓ أمام اختيارك)

١. قطاع الصناعات الغذائية والمشروبات ☐
٢. قطاع المنسوجات والملابس الجاهزة والجلود ☐
٣. قطاع الأخشاب والمنتجات الخشبية والأثاث ☐
٤. قطاع صناعة الورق والطباعة ☐
٥. قطاع الكيماويات والبتروكيماويات ☐
٦. قطاع المنتجات البلاستيكية والمطاط ☐
٧. قطاع مواد البناء والخزف والزجاج ☐
٨. قطاع الصناعات المعدنية والماكينات والمعدات والأجهزة ☐
٩. أخرى (الرجاء تحديدها) ☐

_____

س٣١. ما هو تصنيف منتجكم الرئيسي ؟ (ضع علامة ✓ أمام اختيارك)

١. منتج استهلاكي (غير معمر) ☐
منتج يشترى بواسطة المستهلك النهائي للاستخدام الشخصي
(يستهلك في مرة واحدة أو بعض المرات)

٢. منتج استهلاكي (معمر) ☐
منتج يشترى بواسطة المستهلك النهائي للاستخدام الشخصي
(يستهلك خلال فترة طويلة ولعدد كبير من المرات)

٣. منتج صناعي ☐
منتج يشترى بواسطة أشخاص أو مؤسسات لغرض عمليات تصنيع إضافية أو لأعمال الأنشطة التجارية

٤. أخرى (الرجاء ذكرها) ☐

_____

س٣٢. ما هو الشكل القانوني لمنشأتكم ؟ (ضع علامة ✓ أمام اختيارك)

١. مؤسسة فردية ☐
٢. شركة ذات مسؤولية محدودة) ☐
٣. شركة مساهمة ☐
٤. أخرى (الرجاء ذكرها ☐

_____

س٣٣. كم نسبة الشريك الأجنبي (إن وجد) ؟ _____ % وجنسيته _____

س٣٤. كم عدد الموظفين في منشأتكم ؟ _____ موظف

س٣٥. كم رأس مال منشأتكم ؟ _____ مليون ريال

س٣٦. كم سنة منذ تأسيس منشأتكم ؟ _____ سنة

س٣٧. كم سنة منذ بدأت منشأتكم التصدير ؟ _____ سنة

س٣٨. كم نسبة حصة منتجاتكم السوقية في السوق السعودية (تقريباً) ؟ _____ %

س٣٩. كم منتج رئيسي تصدره منشأتكم حالياً ؟ _____ منتج

س٤٠. كم عدد الدول التي تصدرون لها حالياً ؟ _____ دولة

س٤١. هل لدى منشأتكم إدارة أو قسم منفصل للعمليات التصديرية ؟ نعم / لا

س٤٢. هل لدى منشأتكم إدارة أو قسم للجودة ؟ نعم / لا

س٤٣. هل حصلت منشأتكم على أي من شهادات ISO-9000 ؟ نعم / لا

س٤٤. هل لدى منشأتكم موقع على الإنترنت ؟ نعم / لا

مع خالص الشكر والتقدير على مساعدتكم ودعمكم

أرجو إرسال الاستبيان بعد تعبئة جميع البيانات في الظرف المرفق للعنوان التالي:

APPENDIX C

February 5, 2000

To: The General Manager

Dear Sir,

Your firm has been selected to participate in this important study which investigate the determinants of export marketing success in international markets. The study is carried out under the supervision of Prof. Mo. Malek, chairman of department of Management, University of St. Andrews. Your firm was randomly selected from the Saudi Export Directory 1999, and your opinion will represent the opinion of thousands of people like yourself.

Your participation is very important as this study aim to provide firms' managers a guide for best strategies and practices to adopt and implement in their export ventures. In addition, the study will help policy makers identify the right elements of export success and formulate better polices to promote Saudi exports and assist exporters. You can receive a summary of the study findings upon its completion.

Enclosed please find a copy of the questionnaire. I hope that you take the time to complete and return the questionnaire to me in the enclosed pre-paid self-addressed envelope before **February 23, 2000**. The information you provide will contribute to an important study that will help every exporter. It might take you 30 minutes to fill the questionnaire nevertheless its benefits will reflect on you and all Saudi exporters. Your responses will be treated in strict confidence and the information provided will not be disclosed or used beyond the objective of this study.

For more information or to get the summary of findings, please contact me on the address below.

Many thanks in advance,

Sincerely yours,

Bassam Boodai

APPENDIX D

التاريخ: ٣٠ شوال، ١٤٢٠

سعادة المدير العام

السلام عليكم ورحمة الله وبركاته ... وبعد

لقد تم اختيار منشأتكم ضمن مجموعة مختارة من المصانع الوطنية المصدرة للمشاركة في دراسة هدفها التعرف على العناصر التي تؤثر على الأداء التصديري وكيف يمكن أن تحقق المصانع السعودية النجاح في التصدير. وتأتي هذه الدراسة كجزء من بحث أعده حاليا للحصول على شهادة الدكتوراه بإشراف البروفيسور مو مالك من جامعة سانت أندروس. وقد تم اختياركم من خلال دليل الصادرات السعودية.

إن مشاركتكم في هذا الاستبيان مهمة جدا لان الهدف خدمة الصناعة السعودية وتقديم معلومات مهمة لمدراء المصانع حول افضل الاستراتيجيات والممارسات للنجاح في مجال التصدير، كما ستقدم الدراسة معلومات مهمة أيضا لأصحاب القرار والمخططين الاستراتيجيين في المملكة حول العناصر المهمة لتنمية الصادرات السعودية لمساعدتهم على وضع استراتيجيات وقرارات فعالة تخدم الصناعة السعودية في سعيها لاختراق الأسواق العالمية.

برفقة هذا الخطاب الاستبيان الخاص بالدراسة، وأتمنى أن يحوز خطابي هذا على اهتمامكم الشخصي وان تتفضل بتخصيص جزء بسيط من وقتك للإجابة عليه وإعادته في الظرف المرفق قبل تاريخ ١٨ ذو القعدة ١٤٢٠. إن تعاونكم وتعبئتكم للاستبيان قد تستغرق حوالي ٣٠ دقيقة ولكنها مهمة جدا وستعود فائدتها عليكم وعلى جميع المصدرين السعوديين إن شاء الله، كما أؤكد لكم أن جميع المعلومات المقدمة ستعامل بسرية تامة ولأغراض الدراسة فقط. ، كما يسعدني تزويدكم بملخص نتائج الدراسة بعد الانتهاء منها.

وفي الختام أشكر لكم رحابة صدركم مقدما. وللمزيد من المعلومات حول الاستبيان أو للحصول على نتائج الدراسة أرجو الاتصال بي على الأرقام أدناه.

ولكم خالص الشكر والتقدير

بسام محمد بودي

KINGDOM OF SAUDI ARABIA
Chamber of Commerce & Industry
Eastern Province

المملكة العربية السعودية
الغرفة التجارية الصناعية
للمنطقة الشرقية

الرقم : ٩/١٣٩/٣٦٥٤
التاريخ : ٢٧/ ١٠ /١٤٢٠
المرفقات : استبيان

APPENDIX E

السلام عليكم ورحمة الله وبركاته ... وبعد

لقد تم اختيار منشأتكم ضمن مجموعة مختارة من المصانع الوطنية المصدرة للمشاركة في دراسة هدفها التعرف على العناصر التي تؤثر على الأداء التصديري للمصانع السعودية وكيف يمكن أن تحقق مصانعنا الوطنية النجاح في تصدير منتجاتها، يعدها الباحث بسام محمد بودي.

وحيث أن هذه الدراسة ونتائجها ستعود بالنفع والفائدة على جميع المصانع السعودية بمعرفة افضل الممارسات للنجاح في التصدير، وستساعد على فهم احتياجات المصانع ومتطلباتها للتصدير وسترفع نتائجها للجهات الحكومية لمساعدتها على رسم استراتيجيتها لتنمية ودعم الصادرات السعودية، فلن مشاركتكم بتعبئة الاستبيان المرفق مهمة جدا ومشاركة وطنية ستعود نتائجها علينا جميعا.

أرجو أن يحوز هذا الموضوع على اهتمامكم الشخصي ....

وتقبلوا خالص تحياتي وتقديري

خالد العبدالله الزامل
رئيس الغرفة

ص.ب ٧١٩ ـ الدمام ٣١٤٢١ ـ المملكة العربية السعودية ـ برقيا « الغرفة » ـ تلفون : ٨٥٧١١١١ ـ تلكس عربي : ٨٠٢٥٨٤ ـ فاكس: ٨٥٧٠٦٠٧
P.O. BOX 719 – DAMMAM 31421 – SAUDI ARABIA – CABLE: ALGURFEH – TELEX 801086 – TEL. 8571111 – FAX: 8570607

APPENDIX F

Cluster Analysis* of Management Quality

	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Age	32.83	55.06	49.86	41.87
No. Years in Current Position	3.75	8.61	**18.73**	6.35
Years with the firm	2.69	3.61	**4.73**	3.57
International Experience	2.50	4.00	**4.73**	3.59
Education	3.00	3.28	**2.73**	3.16
Travel Frequency	2.90	2.72	**2.27**	2.82
Travel Feeling	3.57	4.06	3.68	3.81
Cultural Interaction Feeling	4.10	4.22	4.00	4.03
English Language Proficiency	4.57	4.72	4.32	4.68
Sales Growth Aspirations	4.60	4.61	4.86	4.63
Profitability Aspirations	4.64	4.61	4.57	4.51
Investment Security Aspirations	4.50	4.28	4.19	4.04
Market Security Aspirations	4.43	4.17	**3.67**	4.10
Sales Growth Expectations	4.69	4.78	4.59	4.65
Profitability Expectations	4.29	4.61	4.32	4.40
Market Security Expectations	4.38	4.50	**3.82**	4.31
Firm Image Improvement Expectations	4.38	4.28	4.29	4.42
Cost Reduction Expectations	4.37	4.67	4.24	4.46
Management Time Spent On Export Related Activities	3.29	3.17	**2.95**	3.20
Willingness To Allocate Resources	3.64	3.83	**3.23**	3.75
Export Intensity	22.08	25.88	14.35	24.93
Export Sales Growth	2.69	2.61	2.55	2.49
Export Profitability	2.43	2.39	2.41	2.51

* Cluster analysis grouped using Ward Method

Results of Selected Analysis

Existence of Quality Control Department – t-test (H1.8)

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
No	12	7.9	15.27	2.17	2.42
Yes	140	92.1	23.30	2.63	2.47
Total	152	100.0	22.66	2.59	2.47
T-Test					
t – value [a]			-1.329	-1.504	-0.235

[a] A Mann-Whitney test was carried out and similar results were found.

ISO 9000 Certification – t-test (H1.8)

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
No	79	52.0	22.47	2.49	2.54
Yes	73	48.0	22.88	2.70	2.38
Total	152	100.0	22.66	2.59	2.47
T-Test					
t – value [a]			-0.125	-1.234	1.286

[a] A Mann-Whitney test was carried out and similar results were found.

Price Adaptation (H2.4)

	Consumer Non-Durable		Consumer Durable		Industrial Product	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
None	0	0	2	7.1	6	7.1
Minor	8	22.2	8	28.6	10	11.8
Some	13	36.1	8	28.6	38	44.7
Moderate	9	25.0	6	21.4	16	18.8
Major	6	16.7	4	14.3	15	17.6
Total	36	100.0	28	100.0	85	100.0

Correlation Test - Price Adaptation (H2.4)

		Export Intensity	Export Sales Growth	Export Profitability
Non-Durable Consumer product	Pearson Correlation Coefficient (1-tailed)	-0.116	-0.035	0.086
Durable Consumer product	Pearson Correlation Coefficient (1-tailed)	-0.052	0.063	-0.254
Industrial Product	Pearson Correlation Coefficient (1-tailed)	-0.068	-0.198	-0.189

Note: A Spearman's rho coefficient was calculated and similar results were found.

Adapting Distribution Channels (H2.7)

			Export Performance Means		
	Frequency	Percent	Intensity	Growth	Profit
None	22	14.3	20.15	2.45	2.41
Minor	29	18.8	23.22	2.66	2.55
Some	56	36.4	19.63	2.52	2.41
Moderate	33	21.4	23.02	2.58	2.52
Major	14	9.1	35.37	2.86	2.43
Total	154	100.0	22.54	2.58	2.46
Correlation Test					
Pearson Correlation Coefficient [a]			0.130	0.060	0.004

[a] A Spearman's rho coefficient was calculated and similar results were found.

Regression Analysis - Foreign Distributor/Customer Support (H2.11)

	Constant	Standardised Beta value of Independent Variables Entered	Adjusted R square
Export Intensity	-4.82	0.273 * Senior Management Visits 0.214 * After Sale Services	0.156
Export Sales Growth	1.56	0.336 * Senior Management Visits	0.107
Export Profitability		None	

Regression Analysis - Export Opportunities Exploration (H2.12)

	Constant	Standardised Beta value of Independent Variables Entered	Adjusted R square
Export Intensity	-3.452	0.278 * Staff Visits 0.172 * Trade Shows	0.123
Export Sales Growth	1.831	0.249 * Staff Visits	0.056
Export Profitability	2.07	0.173 * Trade Shows	0.023